

MOSELBAAI MOSSEL BAY MOSSELBAYI

MOSEL BAY **MUNICIPALITY**



2012 / 2013

ANNUAL FINANCIAL STATEMENTS

VISION

We strive to be a trend-setting, dynamic Municipality delivering quality services responsive to the demands and challenges of the community and our constitutional mandate, in which all stakeholders can participate in harmony and dignity.

MISSION

- To render cost-effective and sustainable services to the entire community with diligence and empathy.
- To create mutual trust and understanding between the municipality and the community.
- To have a motivated and representative municipal workforce with high ethical standards, which is empowered to render optimal services to the community.
- To apply good and transparent corporate governance in order to promote community prosperity.

VALUES

The community is our inspiration and our workforce is our strength in the quest for community development and service delivery. We therefore value:

- Work pride.
- Service excellence.
- Integrity.
- Loyalty.
- Accountability.



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GENERAL INFORMATION

Mayoral Committee:

Alderlady M Ferreira (Executive Mayor)

Councillor H Levendal (Executive Deputy Mayor)

Alderman J van der Merwe (Chairperson of Finance, Human Resources and Legal Services Committee)

Alderman E Scheepers (Chairperson of Technical Services and Tourism Committee)

Councillor C Bayman (Chairperson of Housing Committee)

Councillor S Moodie (Chairperson of Community Services Committee)

Councillor V Fortuin (Chairperson of Social Services & Local Economic Development Committee)

Speaker: Alderman KH Smit

Ward Councillors:

1 Clr N R Mzola (ANC)	2 Clr N P Jwili (ANC)
3 Clr T M N Mkayo (ANC)	4 Alderman K H Smit (DA)
5 Clr J J Gerber (DA)	6 Alderman E Scheepers (DA)
7 Alderman J van der Merwe (DA)	8 Alderman N J Lodewyks (DA)
9 Clr E Meyer (DA)	10 Clr P Terblanche (DA)
11 Clr P A Du Plessis (DA)	12 Clr N P Malilwana (ANC)
13 Clr S Moodie (DA)	14 Clr J C Bayman (DA)

Proportional Representative Councillors:

Clr N C Booisen (DA)	Clr L Boom (ANC)
Clr E M Booysen (ANC)	Alderlady M Ferreira (DA)
Clr V Fortuin (DA)	Clr SS Mbandezi (ANC)
Clr H Levendal (DA)	Clr F N Mdumiso (ANC)
Clr D Nqayi (DA)	Clr J Siyoko (DA)
Clr R Skombingo (ANC)	Clr D van Rensburg (ACDP)
Clr M M van Wyk (ANC)	

Auditors:

The Auditor-General
Private Bag X1
CHEMPET, 7442

Municipal Manager: Dr MR Gratz

Chief Financial Officer: Mr HF Botha

Registered Office:

101 Marsh Street
Mossel Bay
6506

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Mossel Bay
6500

Telephone:

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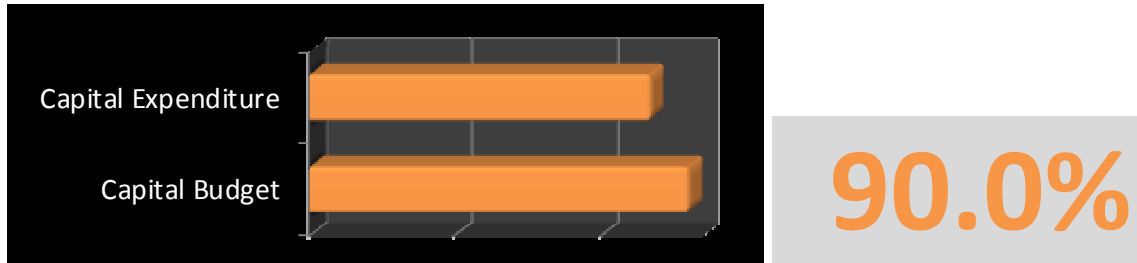
Website:

<http://www.mosselbay.gov.za>

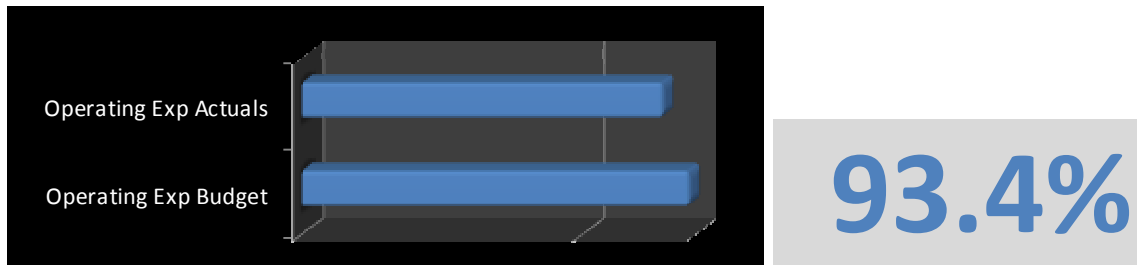
REVIEW OF THE YEAR

1 FINANCIAL PERFORMANCE

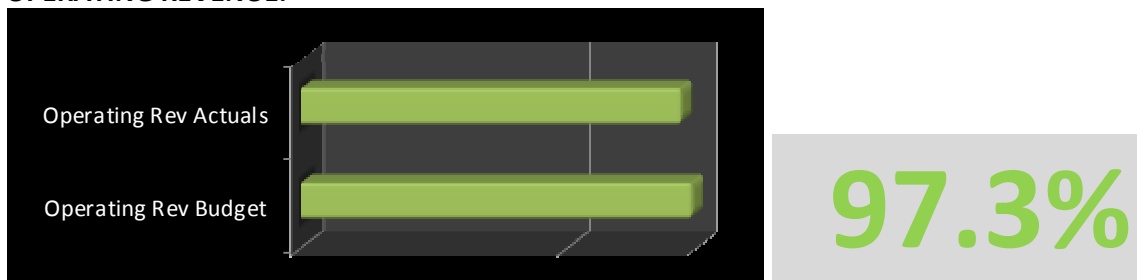
CAPITAL:



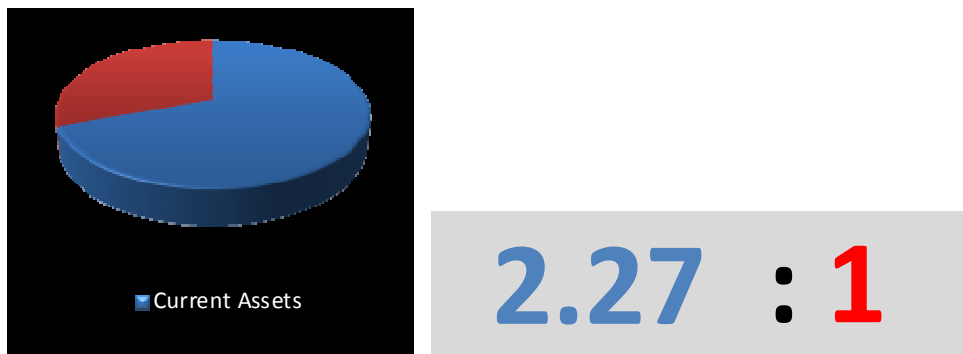
OPERATING EXPENDITURE:



OPERATING REVENUE:



2 LIQUIDITY POSITION



The above ratios show that the Municipality is in a very liquid position, with current assets of double the current liabilities. This ratio has remained stable from the prior year when the ratio was 2.2:1.

3 CASH OPERATIONS

The Statement of Financial Performance shows a surplus of R 73.0 million, however there are various non-cash transactions that is included in the amounts presented on this Statement. If the non-cash transactions and contra transactions are taken into account the municipality's Statement of Financial Performance shows a surplus for the year under review of R 3.2 million.

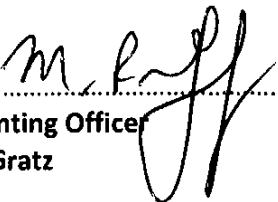
The table below shows the amounts as per the Statement of Financial Performance, the Budget and the Cash operations per Source of Revenue and Type of Expenditure:

Description	2013 Actual (R)	2013 Cash Operations (R)
<u>REVENUE</u>		
Property rates	77 187 828	77 187 828
Property rates - penalties imposed & collection charges	1 749 638	1 749 638
Service charges	428 471 922	428 471 922
Rental of facilities & equipment	2 375 194	2 375 194
Interest earned - external investments	12 788 897	12 788 897
Interest earned - outstanding debtors	252 769	252 769
Fines	7 326 023	7 326 023
Licences and permits	4 698 881	4 698 881
Government grants and subsidies - Operating	63 837 962	50 698 459
Government grants and subsidies - Capital	50 814 716	0
Other income	51 767 162	43 324 971
Public contributions, donated/contributed PPE	11 095 921	11 114 391
Gains on disposal of PPE/Land	130 167	0
Total Revenue	712 497 081	639 988 973
<u>EXPENDITURE</u>		
Employee-related costs	189 218 147	174 216 756
Remuneration of Councillors	8 073 770	8 073 770
Bad debts	15 091 483	15 091 483
Collection costs	5 942 566	5 942 566
Depreciation	41 849 347	0
Amortisation - Intangible Assets	19 097	0
Repairs and maintenance	37 487 642	37 487 642
Interest expense	3 052 737	3 052 737
Bulk purchases	190 995 837	190 995 837
Contracted services	32 736 835	32 736 835
Grants and subsidies paid	4 763 961	4 763 961
Transfer Capital Grants	0	0
General expenses - other	112 620 035	164 459 648
Loss on disposal of PPE	939 555	0
Total Expenditure	642 791 011	636 821 235
<u>ITEMS NOT BUDGETED FOR:</u>		
Fair Value adjustment	3 250 033	0
Total Items not budgeted for	3 250 033	0
NET (SURPLUS)/DEFICIT FOR THE YEAR	72 956 102	3 167 738

CERTIFICATION BY ACCOUNTING OFFICER

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 124 in terms of Section 126(1) of the Municipal Finance Management Act, No 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 33 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.


.....
Accounting Officer
Dr M Gratz

Date: 31 August 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2013 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2012/13 financial performance of the municipality to the 2011/12 comparative figures:

RATIO DESCRIPTION	2012/13	2011/12
<u>REVENUE MANAGEMENT</u>		
<i>Level of reliance on Government grants</i>	15.7%	14.6%
<i>Actual income vs Budgeted income*</i>	-2.7%	-4.4%
<u>EXPENDITURE MANAGEMENT</u>		
<i>Personnel costs to total expenditure</i>	29.4%	26.3%
<i>Actual expenditure vs Budgeted expenditure*</i>	-6.6%	0.0%
<i>Interest paid as a percentage of total expenditure</i>	0.5%	0.4%
<i>Repairs and maintenance / PPE (carrying amount)</i>	2.7%	3.0%
<i>Repairs and maintenance / Total expenditure</i>	5.8%	6.2%
<u>ASSET MANAGEMENT</u>		
<i>Acquisition of PPE – Actual vs Budgeted**</i>	-9.95%	-23.61%
<i>Stockholding period (DAYS)</i>	8 days	10 days
<u>DEBT MANAGEMENT</u>		
<i>Creditors payment period (DAYS)</i>	30 days	29 days
<i>Arrear debtors collection period (DAYS)</i>	23 days	30 days
<u>LIQUIDITY</u>		
<i>Current ratio</i>	2.3 : 1	2.3 : 1
<i>Acid Test ratio</i>	2.2 : 1	2.2 : 1
<i>Turnover of accounts receivable</i>	7.9 : 1	6.9 : 1
<i>Cash to Interest</i>	81.0 : 1	86.5 : 1
<i>Debt to Cash</i>	1.7 : 1	1.7 : 1
<i>Cash to Income</i>	2.9 : 1	-0.5 : 1
<i>Total Liabilities / Total Assets</i>	0.2 : 1	0.2 : 1

* Refer to Statement of Comparison of Budget and Actual amounts

** Refer to Statement of Comparison of Budget and Actual amounts

LIQUIDITY POSITION OF MUNICIPALITY

3.1 Liquidity

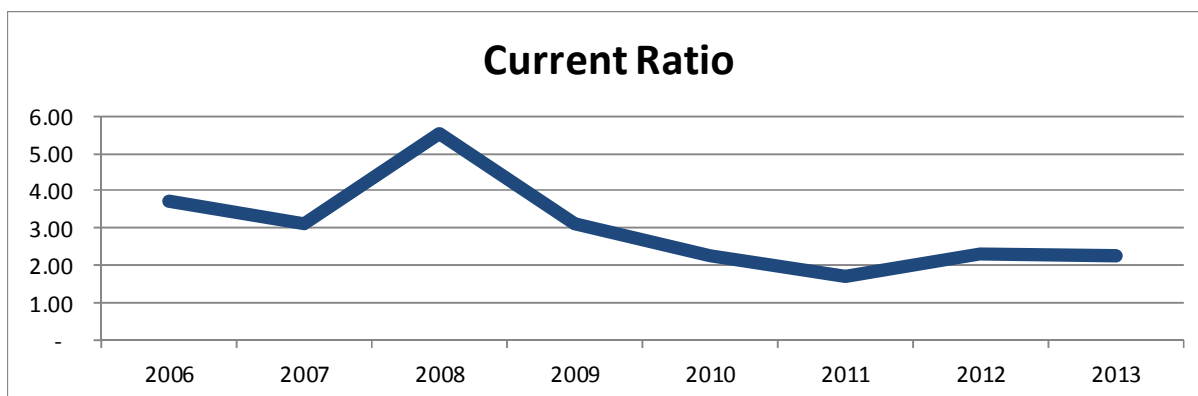
There are two main liquidity ratios that can be used to analyse the liquidity position of the Municipality, namely the Current and Acid Test ratios. There are various other liquidity ratios that can be utilised to assess the Municipality's liquidity position.

The calculation of these ratios is as follows:

RATIO DESCRIPTION	FORMULA	2012/13	2011/12
<u>Current ratio</u>	Current Assets	296 218 262	286 667 315
	Current Liabilities	130 365 588	124 182 596
		2.3	2.3
<u>Acid Test ratio</u>	Current Assets – Inventory	285 724 350	273 816 717
	Current Liabilities	130 365 588	124 182 596
		2.2	2.2
<u>Turnover of accounts receivable</u>	Revenue (credit)	507 409 389	483 303 420
	Accounts receivable	64 412 059	70 243 788
		7.9	6.9
<u>Debt to cash</u>	Total Liabilities	361 702 745	342 872 821
	Cash balance at end of period	208 299 502	197 474 049
		1.7	1.7

The above ratios show that the Municipality is in a very liquid position, with current assets of double the current liabilities. The ratio for the year under review has improved compared to the 2011/12 financial year. The Municipality generates 6.9 times more revenue than what the outstanding accounts are. The debtors' collection period (for debtors in arrears) has also improved from 30 days in 2011/12 to 23 days in the 2012/13 year.

The following graph shows the history and the current year ratio for the municipality:



4 OPERATING RESULTS

4.1 Summary of Results

Details of the operating results per segmental classification are included in Appendix B and C, while operational results per category, together with an explanation of significant variances of more than 10 per cent from the final budget, are included in the Statement of Comparison of Budget and Actual amounts.

These amounts are based on the total position of the municipality (including non-cash transactions):

DESCRIPTION	Actual 2012/13	Actual 2011/12	Variance	Adjusted Budget 2012/13	Variance
INCOME					
Opening surplus/(deficit)	1552 683 397	1783 629 428	-12.9%		
Operating income for the year	712 497 081	663 350 693	7.4%	732 614 635	-2.7%
Fair Value Adjustment	3 250 033	34 771 595	-90.7%	-	#DIV/0!
Appropriations for the year	(5 684 064)	10 482 960	-154.2%		
	2262 746 446	2492 234 674	-9.2%	732 614 635	208.9%
EXPENDITURE					
Operating expenditure for the year	642 792 183	649 392 605	-1.0%	688 563 638	-6.6%
Sundry transfers	(3 099 011)	(174 741 359)	-98.2%		
Revaluation of Inv Prop	-	464 900 032	-100.0%		
Closing surplus/(deficit)	1623 053 274	1552 683 397	4.5%	42 550 997	
	2262 746 446	2492 234 674	-9.2%	731 114 635	208.9%

The accumulated surplus at 30 June 2013 amounted to R1 623 million. The accumulated surplus of R1 371 million at 30 June 2012 was restated with previous year corrections of R 181,8 million, amounting to R1 555,8 million. From the 2011/12 financial year the accumulated surplus increased with R67,2 million or 4,5% to the 2012/13 financial year.

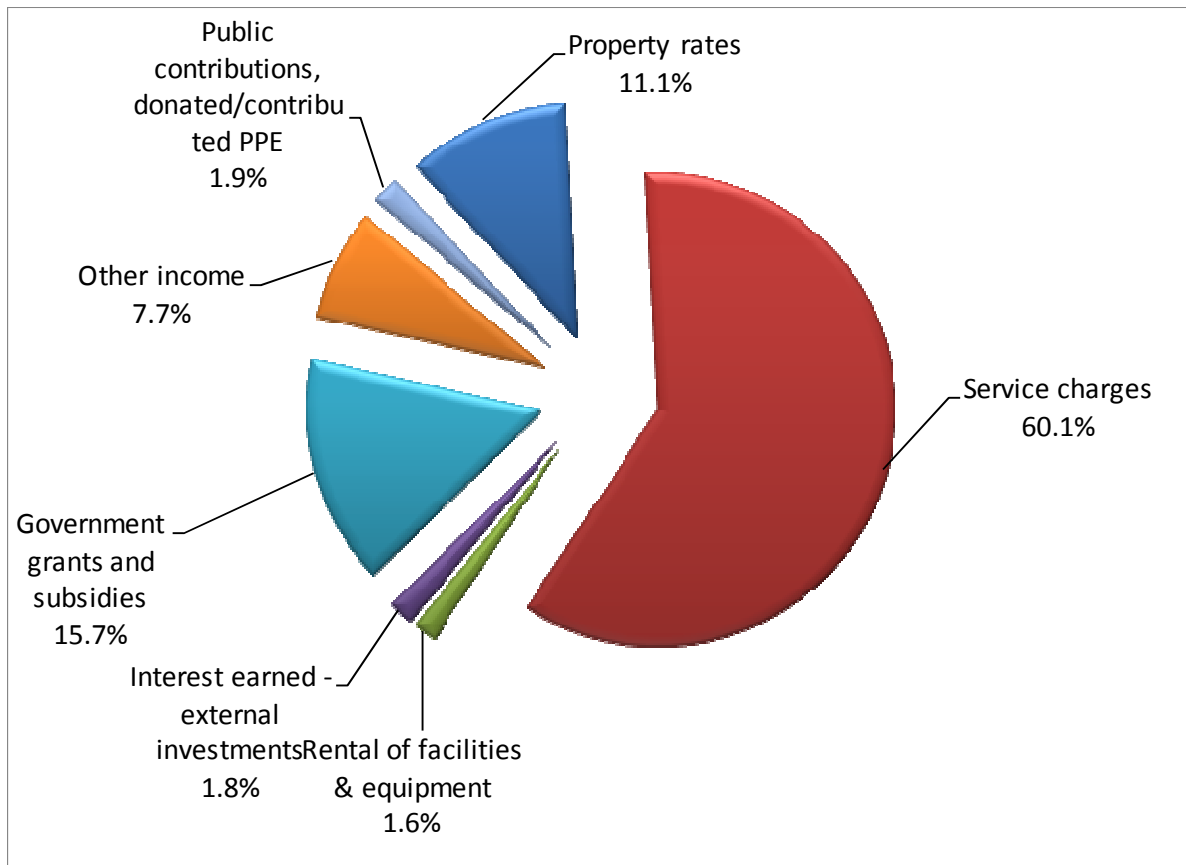
The operating income increased by 7,4 per cent to R712,5 million from the previous financial year's income of R663,4 million. The main contributor to this is the increase in Service charges in accordance with the approved tariff increase for the year. The operating expenditure decreased by 1 per cent to R642,8 million.

The Municipality's financial statements ended on a surplus of R72,9 million. It must, however, be taken into account that various non-cash transactions is included in this surplus. If these non-cash transactions are taken into account, the cash surplus comes to R3,2 million.

4.2 Operating Revenue and Expenditure

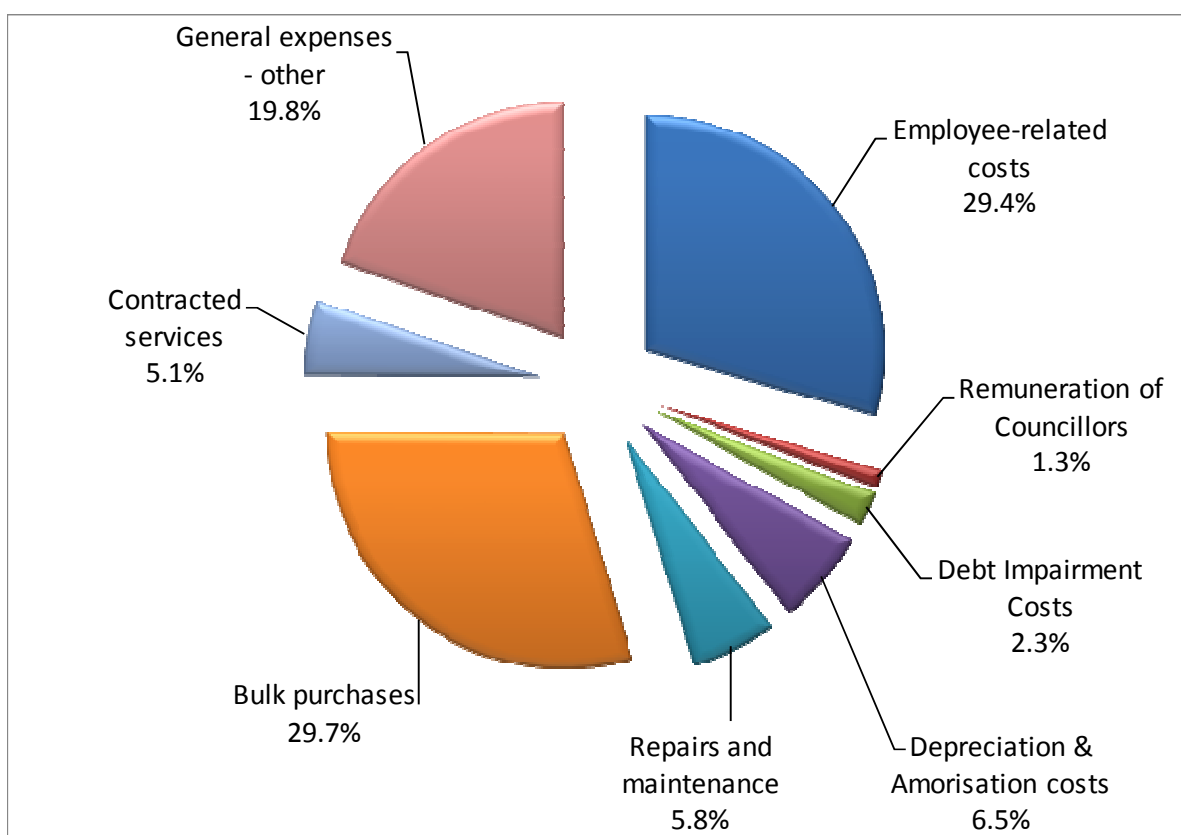
The following table and graph indicates the Municipality's major revenue sources for the year under review:

Operating Revenue	2013	2012
Property rates	11%	11%
Service charges	60%	62%
Rental of facilities & equipment	2%	1%
Interest earned - external investments	2%	2%
Government grants and subsidies	16%	15%
Other income	8%	7%
Public contributions, donated/contributed PPE	2%	2%



The following table and graph indicates the Municipality's major types of expenditure for the year under review:

Operating Expenditure	2013	2012
Employee-related costs	29%	26%
Remuneration of Councillors	1%	1%
Debt Impairment Costs	2%	3%
Depreciation & Amorisation costs	7%	7%
Repairs and maintenance	6%	6%
Bulk purchases	30%	26%
Contracted services	5%	4%
General expenses - other	20%	27%



4.3 Rates and General Services

DESCRIPTION	Actual 2012/13	Actual 2011/12	Variance	Adjusted Budget 2012/13	Variance
Income	327 326 594	324 221 896	1.0%	339 072 538	-3.5%
Expenditure	332 039 927	835 636 834	-60.3%	366 199 496	-9%
Surplus/(deficit)	(4 713 333)	(511 414 938)	-99.1%	(27 126 958)	-82.6%
Surplus/(deficit) as % of total income	-1.4%	-157.7%		-8.0%	

Variance from 2011/12 Actual:

The deficit with regards to Rates and other General services amount to R4,7 million for the 2012/13 financial year and the 2011/12 financial year's deficit was R511,4 million. The 2011/12 deficit is not a cash deficit as actuarial losses (R38 million) and fair value adjustments (R430 million) to Investment property is also taken into account, which are non-cash transactions.

Variance from 2012/13 Budget:

The total actual income is 3,5 per cent less than the budgeted amount of R339,1 million for the 2012/13 financial year. The expenditure is 9 per cent less than the budgeted amount of R366,2 million.

4.4 Trading Services

The Municipality purchases electricity in bulk from Eskom and then redistributes it to the consumers. The electricity tariffs are considered together with all other tariffs during the compilation of the operational budget. Any increase in the electricity tariffs must be approved by the National Electricity Regulator before the Municipality can implement it. Eskom normally adjusts its tariffs in January of every year but the Municipality endeavours to limit its increase to only one increase during July every year. The Municipality has some of its own water sources and also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

4.4.1 Electricity

DESCRIPTION	Actual 2012/13	Actual 2011/12	Variance	Adjusted Budget 2012/13	Variance
Income	284 351 030	278 248 969	2.2%	292 256 589	-2.7%
Expenditure	216 576 617	203 855 477	6.2%	226 210 554	-4.3%
Surplus/(deficit)	67 774 413	74 393 492	-8.9%	66 046 035	2.6%
Surplus/(deficit) as % of total income	23.8%	26.7%		22.6%	

Variance from 2011/12 Actual:

The Electricity service showed a surplus for both the 2011/12 and the 2012/13 financial years, with a decrease of 8,9 per cent between the two years. The surplus of R67,8 million for the 2012/13 financial year represents a profit of 23,8 per cent. A profit of 26,7 per cent was realised in the 2011/12 financial year.

Variance from 2012/13 Budget:

The total actual income is 2,7 per cent less than the budgeted amount of R292,3 million for the 2012/13 financial year. The expenditure is 4,3 per cent less than the budgeted amount of R226,2 million.

The following table provides information on electricity distribution:

ELECTRICITY DISTRIBUTION	2011/12 Financial year	2012/13 Financial year
Units purchased (kWh)	289 287 923	280 522 409
Purchase price per kWh	55 cents	62 cents
Units sold (kWh)	263 909 561	257 344 676
Free units	8 143 456	8 374 096
Units lost during distribution (kWh)	17 234 906	14 803 638
Percentage lost during distribution	5.96%	5.28%
Total cost per unit	58.28 cents	62.39 cents
Net sales per unit	84 cents	95 cents
Total income	R 221 684 031	R 244 507 460

4.4.2 Water

DESCRIPTION	Actual 2012/13	Actual 2011/12	Variance	Adjusted Budget 2012/13	Variance
Income	104 069 489	95 651 422	8.8%	101 285 508	2.7%
Expenditure	94 175 639	74 800 325	25.9%	97 653 588	-3.6%
Surplus/(deficit)	9 893 850	20 851 097	-52.5%	3 631 920	172.4%
Surplus/(deficit) as % of total income	9.5%	21.8%		3.6%	

Variance from 2011/12 Actual:

The Water service showed a surplus for both the 2011/12 and 2012/13 financial years. The surplus decreased by 52,5 per cent from the previous year. The surplus of R9,9 million for the 2012/13 financial year represents a profit of 9,5 per cent, whereas a profit of 21,8 per cent was realised in the 2011/12 financial year.

Variance from 2012/13 Budget:

The total actual income is 2,7 per cent more than the budgeted amount of R101,2 million for the 2012/13 financial year, while the expenditure is 3,6 per cent less than the budgeted amount of R97,7 million.

The following provides information on water distribution:

WATER DISTRIBUTION	2011/12 Financial year	2012/13 Financial year
<i>Mega litres purified</i>	6 808	7 306
<i>Mega litres sold</i>	6 187	6 014
<i>Mega litres lost during distribution</i>	621	1 293
<i>Percentage lost during distribution</i>	9.12%	17.69%

5 CAPITAL EXPENDITURE AND FINANCING

The capital expenditure during the year as stated in the financial statements amounted to R 117 202 193 and was financed as follows:

SERVICE AREA	2012/13 Actuals	% of Total Capital Expenditure
<i>Community services/facilities</i>	13 495 867	11.5%
<i>Electricity</i>	20 208 110	17.2%
<i>Housing</i>	22 208 184	18.9%
<i>Refuse</i>	2 189 065	1.9%
<i>Sanitation</i>	9 832 322	8.4%
<i>Streets and Storm water</i>	29 213 044	24.9%
<i>Water</i>	8 418 131	7.2%
<i>Other</i>	11 637 470	9.9%
TOTAL	117 202 193	100.0%

The capital expenditure was financed as follows:

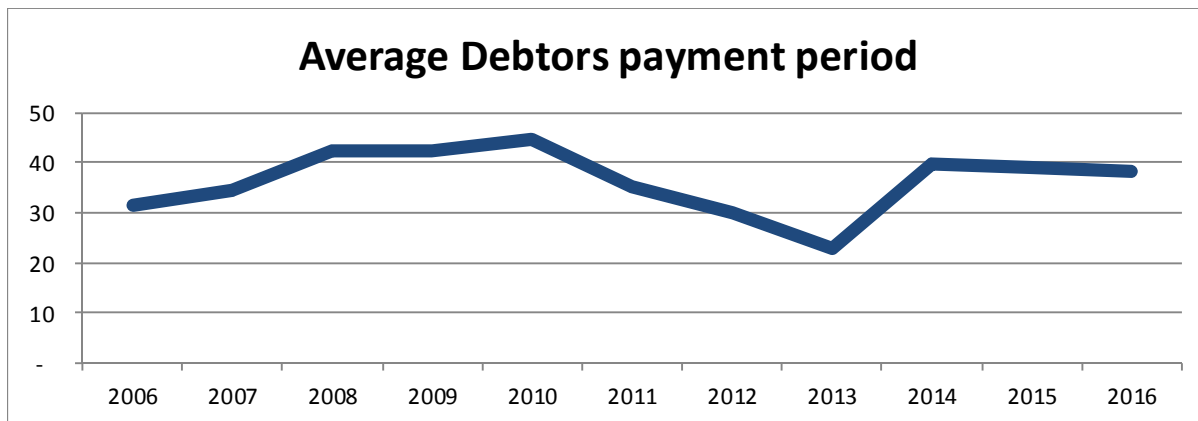
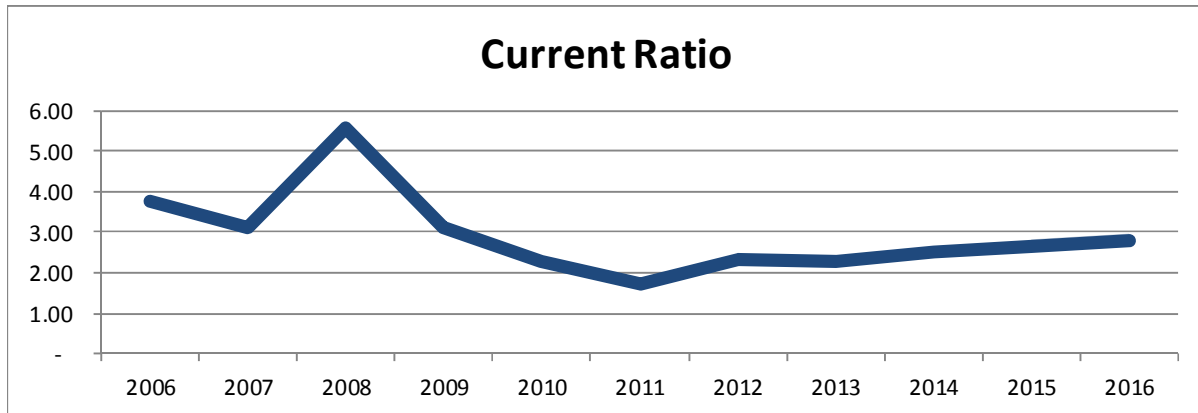
SOURCE OF FINANCE	2012/13 Actuals	% of Total Capital Funding
<i>Capital Replacement Reserve</i>	66 743 662	56.9%
<i>Grants and Subsidies</i>	48 581 230	41.5%
<i>Public contributions</i>	645 436	0.6%
<i>Other</i>	1 231 865	1.1%
TOTAL	117 202 193	100.0%

Property, Plant and Equipment is funded to a great extent from the Capital Replacement Reserve.

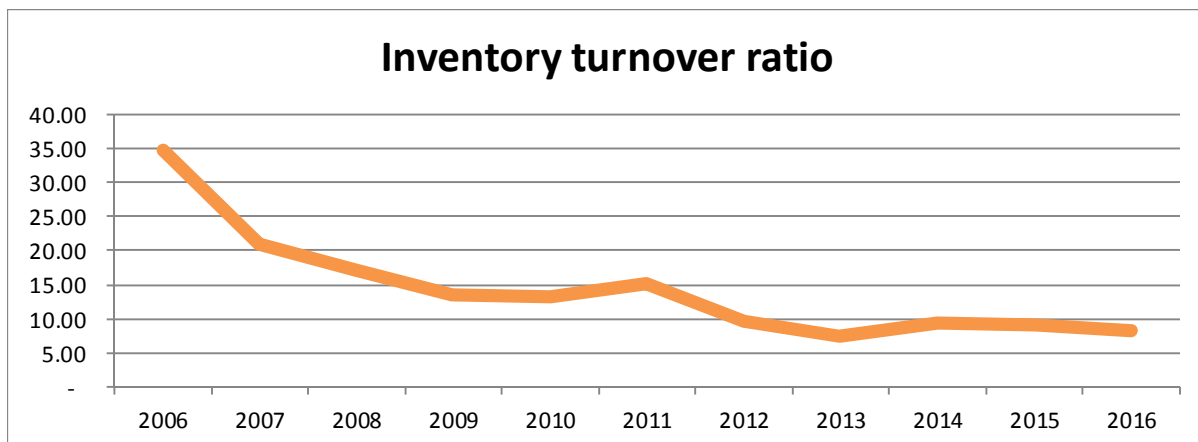
6 FINANCIAL SUSTAINABILITY

Financial sustainability refers to financial accounts which reflect sufficient revenue and adequate corporate stability in order to fund and deliver on service delivery and performance targets. Following are a few graphs on various financial ratios that show the past 7 years information, the current year information and the 3 budget years' information:

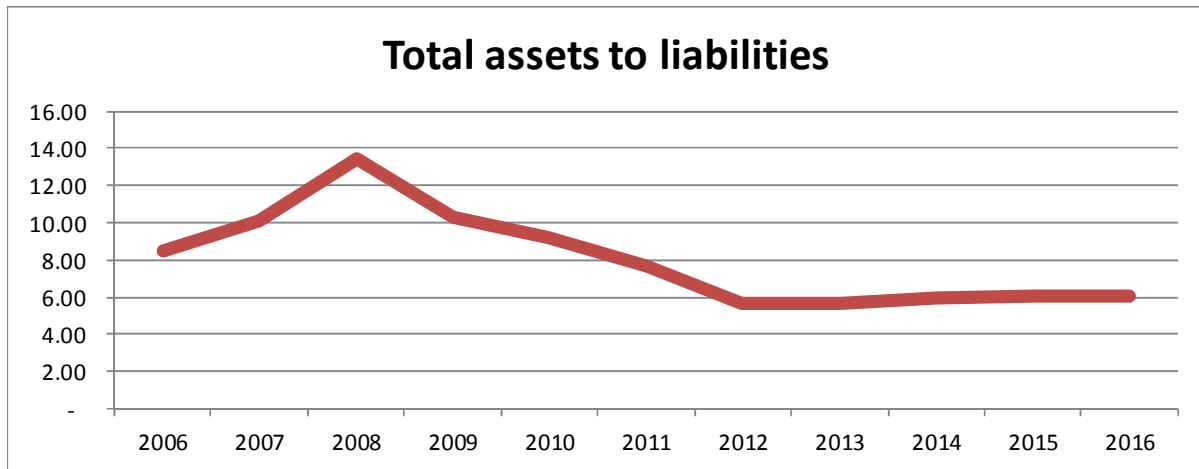
LIQUIDITY MEASUREMENT RATIOS



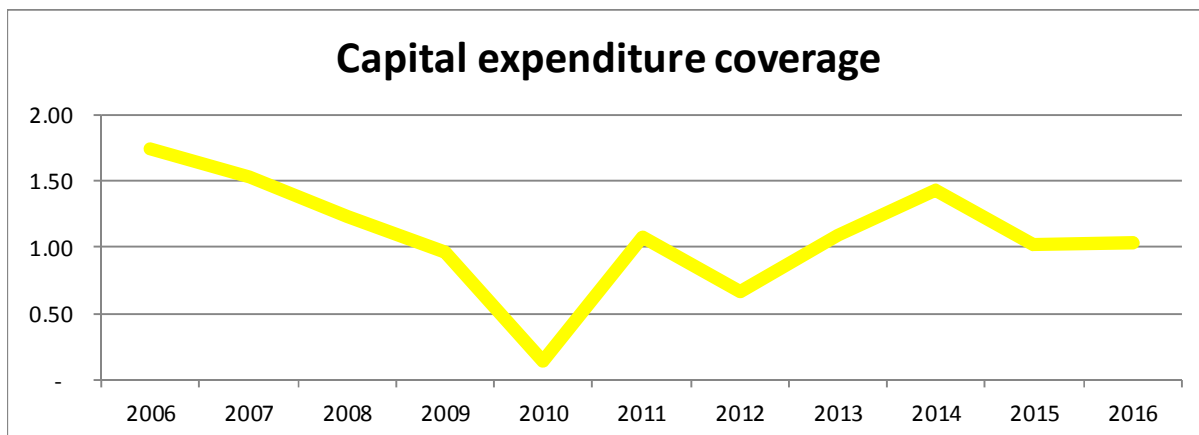
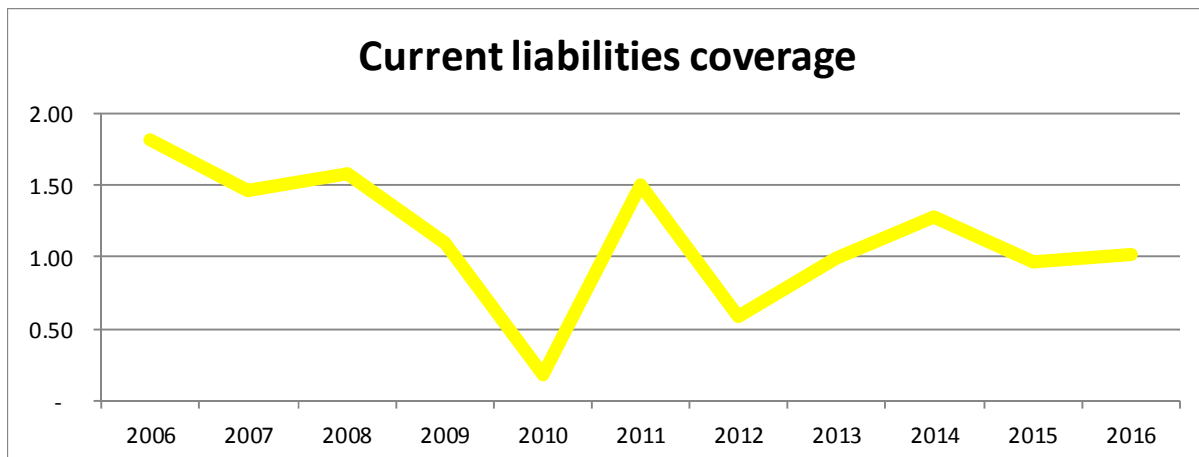
ACTIVITY RATIOS



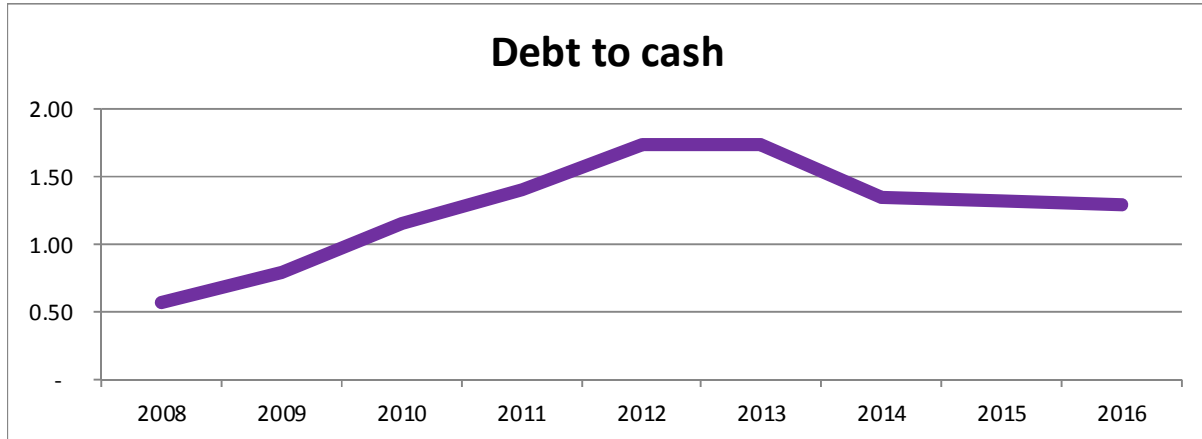
SOLVENCY RATIOS



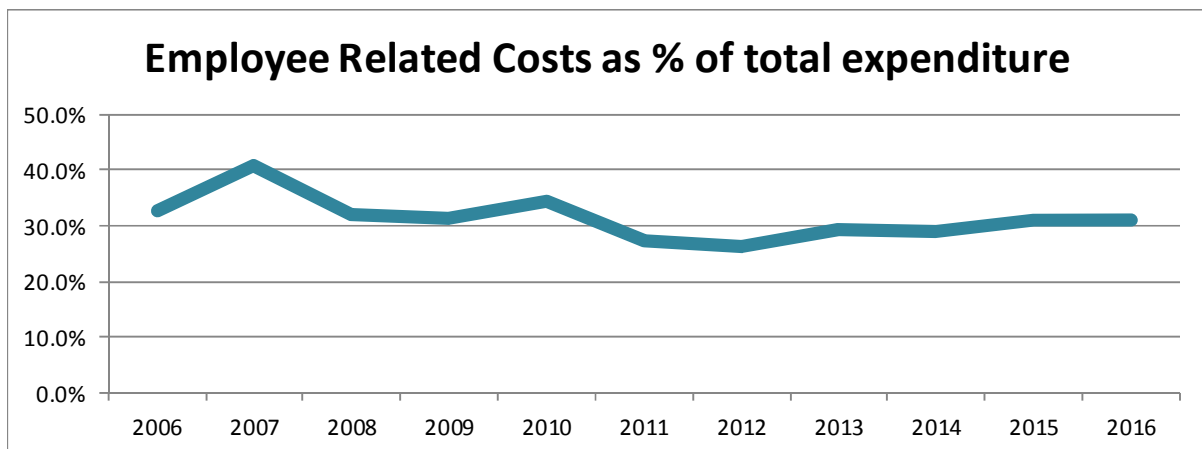
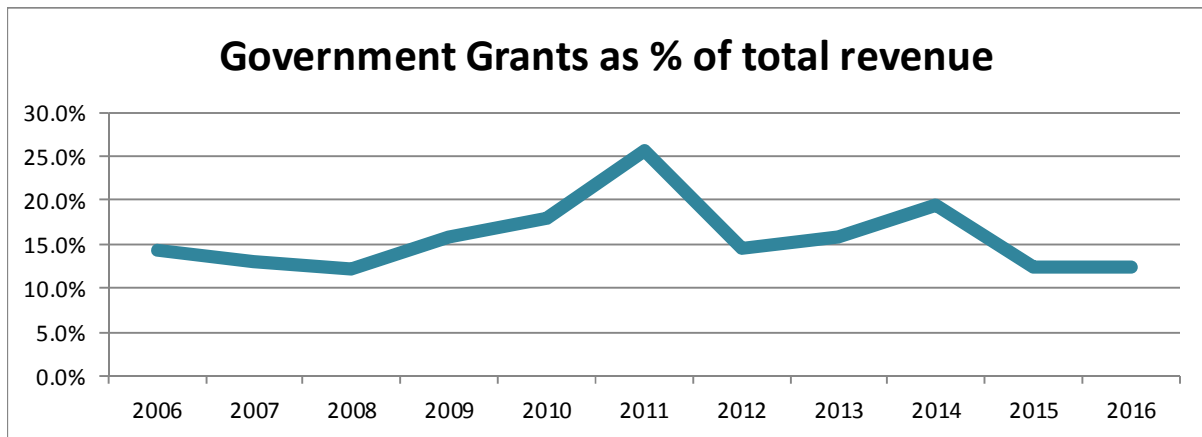
CASH FLOW INDICATOR RATIOS

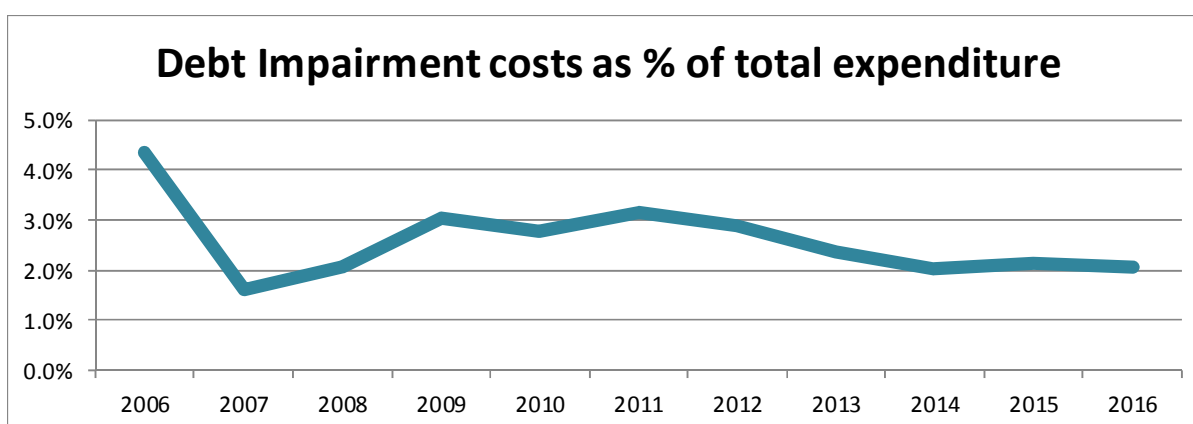
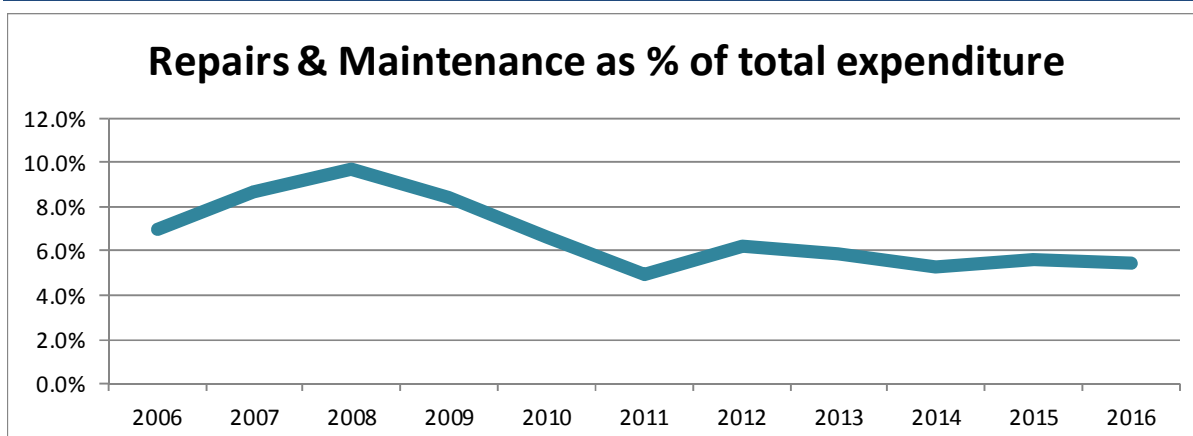


DEBT RATIOS



INCOME & EXPENDITURE TRENDS





7 CAPITAL REPLACEMENT RESERVE

The Capital Replacement Reserve balance at 30 June 2013 amounted to R 59 991 021 (R 52 870 044 as at 30 June 2012).

The Capital Replacement Reserve replaces the previous statutory funds, such as the Consolidated Capital Development and Loans Fund. It is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

8 EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2013 the outstanding external loans amounted to R 28 573 426 (R 30 583 677 in 2012). The municipality has repaid R 2 000 000 towards the loan of R 30 million taken up during the prior year.

The Municipality's cashbook showed a positive balance of R 3 280 542 (R 27 455 389 in 2012) and Petty Cash to the amount of R 18 960 (R 18 660 in 2012) on 30 June 2013. The external investments amounted to R 205 000 000 against the R 170 000 000 of the previous year.

More particulars regarding external loans and investments appear in Notes 5 and 25 of the Annual Financial Statements, as well as Appendix A.

9 NON-CURRENT PROVISIONS

These provisions are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R 54 890 168 as at 30 June 2013 (R 51 311 321 as at 30 June 2012) and are made up as follows:

Rehabilitation of Landfill Sites	R 40 885 465
Clearing of Alien Vegetation	<u>R 14 004 703</u>
	<u>R 54 890 168</u>

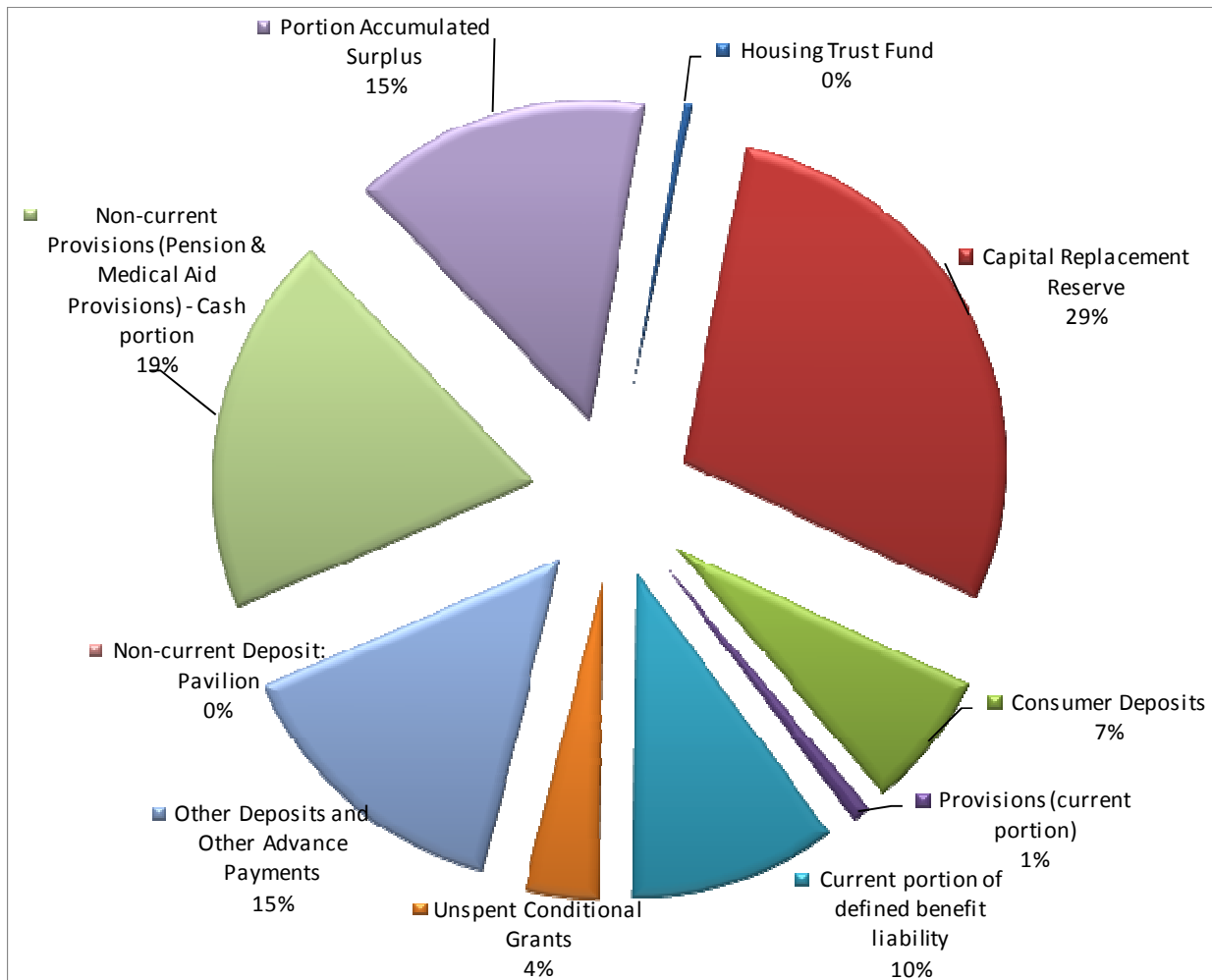
Refer to Note 6 of the Annual Financial Statements for more detail.

10 FUNDING OPTIONS OF INVESTMENT PORTFOLIO

The table below shows the allocation of the investment portfolio towards the funding of various obligations:

Allocation of Cash		
Call Deposits		205 000 000
Bank Balances and Cash		3 299 502
		<u>208 299 502</u>
Less: Bank Overdraft		-
		<u>208 299 502</u>
Allocated to:		
Housing Trust Fund	800 765	
Capital Replacement Reserve	59 991 021	
Consumer Deposits	14 464 499	
Provisions (current portion):	1 909 274	
Rehabilitation of Landfill sites	1 109 274	
Clearing of Alien Vegetation	800 000	
Current portion of defined benefit liability	21 627 622	
Post Retirement benefits	3 543 688	
Staff Leave accrual	11 472 763	
Performance Bonuses accrual	534 016	
Employee Bonuses accrual	3 989 416	
Employee Overtime / Standby allowances accrual	832 671	
Long service awards	1 255 069	
Unspent Conditional Grants	7 625 972	
Other Deposits and Other Advance Payments:	30 598 586	
Retentions	13 237 225	
Payments Received in Advance	10 189 877	
Other Deposits	7 171 484	
Non-current Deposit: Pavilion	235 202	
Non-current Provisions - Cash portion	39 777 544	
Post Retirement benefits	14 138 203	
Long service awards	188 918	
Provision for Debtor Impairment	25 450 423	
Portion Accumulated Surplus	31 269 016	208 299 502
		<u>-</u>

The graph below shows the percentage allocation of the investment portfolio towards the funding of various obligations:



11 EMPLOYEE BENEFITS

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The non-current portion of the employee benefits liability amounted to R 148 190 516 as at 30 June 2013 (R 137 081 303 as at 30 June 2012) and is made up as follows:

Post-Employment Health Care Benefits	R 1 255 069
Ex-Gratia Gratuities	R 1 473 123
Long Service Awards	<u>R 8 373 223</u>
	<u>R 148 190 516</u>

Refer to Note 7 of the Annual Financial Statements for more detail.

12 CURRENT LIABILITIES

Current Liabilities are those liabilities of the Municipality due and payable in the short term (less than 12 months). There is no known reason as to why the Municipality would not be able to meet its obligations. Current Liabilities amounted to R 130 365 588 as at 30 June 2013 (R 124 182 596 as at 30 June 2012) and are made up as follows:

Consumer deposits	Note 9	R 14 464 499
Provisions	Note 10	R 1 909 274
Current portion of Employee benefits	Note 11	R 21 627 622
Payables from Exchange transactions	Note 12	R 81 155 746
Unspent conditional grants and receipts	Note 13	R 7 625 972
Operating Lease Liability	Note 26	R 530 704
Current portion of Finance Lease Liabilities	Note 4	R 1 042 521
Current portion of Long-term Liabilities	Note 5	<u>R 2 009 250</u>
		<u>R 130 365 588</u>

13 CURRENT ASSETS

Current Assets amounted to R 296 218 262 as at 30 June 2013 (R 286 667 315 as at 30 June 2012) and is made up as follows:

Inventory	Note 21	R 10 493 912
Trade receivables from Exchange	Note 22	R 33 003 277
Other receivables from Non-Exchange	Note 23	R 34 541 148
Current portion of long-term receivables	Note 19	R 460 362
Assets classified as held for sale	Note 20	R 6 339 640
VAT receivable	Note 14	R 2 959 404
Cash and Cash Equivalents	Note 25	R 208 299 502
Operating Lease Assets	Note 26	<u>R 121 018</u>
		<u>R 296 218 262</u>

14 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

The net balance of Trade and Other receivables from Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2012</i>	<i>As at 30 June 2013</i>	<i>Variance</i>
<i>Service debtors:</i>	32 209 702	30 578 447	-5.1%
- Electricity	13 774 484	14 659 058	6.4%
- Water	8 428 338	8 067 803	-4.3%
- Refuse	3 240 412	3 172 258	-2.1%
- Sewerage	6 766 468	4 679 328	-30.8%
<i>Debtpack collections</i>	1 869	5 469	192.6%
<i>Land Sales</i>	2 547	1 426	-44.0%
<i>Housing instalments</i>	499 884	533 197	6.7%
<i>Housing rentals</i>	180 536	163 495	-9.4%
<i>Other</i>	558 336	1 721 242	208.3%
<i>TOTAL</i>	33 452 874	33 003 277	-1.3%

The net balance of Other receivables from Non-Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2012</i>	<i>As at 30 June 2013</i>	<i>Variance</i>
<i>Rates</i>	6 197 092	6 207 862	0.17%
<i>Accrued Income</i>	16 906 819	20 884 844	23.53%
<i>Other</i>	11 396 201	7 401 587	-35.05%
<i>TOTAL</i>	34 500 112	34 541 148	0.12%

The Municipality has during the financial year written off bad debts to the amount of R 19 192 384

EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Executive Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. I would also like to extend a special word of thanks to all staff who assisted with the collation of year-end information, and specific the staff of the Budget and Treasury Office. Without their valuable contributions and assistance these Annual Financial Statements would not have been possible.



HF BOTHA
CHIEF FINANCIAL OFFICER

Date: 31 August 2013

REPORT OF THE AUDITOR-GENERAL

The Audit Report of Mossel Bay Municipality will be added on completion of the audit process.

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Note	2013 R	2012 R
NET ASSETS AND LIABILITIES			
Net assets		1683 845 060	1610 890 130
Housing development fund	2	800 765	2 237 678
Reserves	3	59 991 021	52 870 044
Capital replacement reserve		59 991 021	52 870 044
Accumulated surplus		1623 053 274	1555 782 408
Non-current liabilities		231 337 156	218 690 225
Employee benefits	7	148 190 516	137 081 303
Non-current provisions	6	54 890 168	51 311 321
Finance Lease liability	4	1 457 093	1 521 914
Other Long-term liabilities	5	26 564 176	28 547 667
Non-current deposits	8	235 202	228 020
Current liabilities		130 365 588	124 182 596
Consumer deposits	9	14 464 499	12 885 283
Provisions	10	1 909 274	1 845 860
Current Employee benefits	11	21 627 622	20 526 893
Payables from Exchange transactions	12	81 155 746	66 557 159
Unspent conditional grants and receipts	13	7 625 972	19 210 990
VAT Payable	14	-	-
Cash and cash equivalents	25	-	-
Operating Lease Liability	26	530 704	122 820
Current portion of Finance lease liability	4	1 042 521	997 582
Current portion of other long-term liabilities	5	2 009 250	2 036 010
Total Net Assets and Liabilities		2045 547 804	1953 762 951
ASSETS			
Non-current assets		1749 329 542	1667 095 636
Property, plant and equipment	15	1411 803 113	1332 038 699
Intangible Assets	16	167 436	186 532
Investment Property	17	332 651 301	329 401 268
Heritage assets	18	4 130 596	4 130 596
Long-term receivables	19	577 097	1 338 541
Current assets		296 218 262	286 667 315
Inventory	21	10 493 912	12 850 599
Receivables from Exchange transactions	22	33 003 277	33 452 874
Other receivables from non-exchange transactions	23	34 541 148	34 500 112
Current portion of long-term receivables	19	460 362	537 605
Assets classified as held for sale	20	6 339 640	6 695 640
VAT Receivable	14	2 959 404	1 035 849
Cash and Cash equivalents	25	208 299 502	197 474 049
Operating Lease Assets	26	121 018	120 588
Total Assets		2045 547 804	1953 762 951

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

Budget			Actual	
2012 R	2013 R	Note	2013 R	2012 R
REVENUE				
226 140 466	221 410 689		215 896 755	185 133 993
72 069 951	77 721 154		77 561 543	71 386 891
72 069 951	77 721 154		77 561 543	71 386 891
148 716 177	139 221 525		125 748 599	108 835 717
62 198 746	126 801 328		112 183 037	96 559 456
86 517 431	12 420 197		13 565 562	12 276 261
5 354 338	4 468 010		12 586 612	4 911 385
5 354 338	4 468 010		7 326 023	4 911 385
	-		5 260 589	-
467 477 411	511 203 946		496 600 326	478 216 699
1 750 000	1 500 000		1 749 638	1 720 676
379 639 641	434 344 841		428 098 208	410 195 853
9 581 717	11 074 386		11 703 324	9 232 307
10 748 600	12 000 000		12 788 897	12 556 435
-	-		-	-
303 905	261 400		252 769	291 669
4 552 907	4 561 000		4 698 881	4 531 520
43 500	22 500		130 167	4 570 854
60 857 141	47 439 819		37 178 442	35 117 386
693 617 877	732 614 635		712 497 081	663 350 693
EXPENDITURE				
181 997 810	192 111 656		189 218 147	170 609 849
8 289 386	8 428 321		8 073 770	7 753 895
12 860 135	14 000 000		15 091 483	18 725 706
6 092 145	5 912 622		5 942 566	5 810 207
39 427 622	56 790 574		41 850 519	43 671 228
14 027	97 835		19 097	41 199
2 500 000	2 500 000		1 480 973	38 616 607
45 464 931	41 790 510		37 487 642	40 505 699
1 700 226	2 953 092		3 052 737	2 282 204
169 271 000	190 495 435		190 995 837	167 366 152
30 446 242	34 129 514		32 736 835	27 411 007
3 102 757	5 565 392		4 763 961	3 018 847
147 902 005	133 433 187		111 139 062	122 506 982
419 150	355 500		939 555	1 073 024
649 487 436	688 563 638		642 792 183	649 392 605
1 500 000	(1, 500,000)		3 250 033	(430, 128,437)
45 630 441	42 550 997		72 954 930	(416, 170,349)
SURPLUS/(DEFICIT) FOR THE YEAR				

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R	R
2012				
Balance at 1 July 2011	7 146 355	24 623 570	1783 629 428	1815 399 353
Prior Year Adjustments (Note 42)		33 820 756	174 741 359	208 562 115
Change in accounting policy (Note 43)			-	-
Change in accounting estimate (Note 44)			-	-
Restated Balance at 1 July 2011	7 146 355	58 444 327	1958 370 786	2023 961 468
Surplus/(deficit) for the year			(416 170 349)	(416 170 349)
Transfer to CRR		63 907 467	(63 907 467)	-
Proceeds on de-recognition				-
Contribution from CRR - purchase PPE		(69 481 750)	69 481 750	-
Transfer to FDR Government Grants Reserve			-	-
Transfer to FDR Don. and Public Contri. Reserve			-	-
Transfer to Housing Development Fund	104 058		(104 058)	-
Transfer from Housing Development Fund	(5 012 736)		5 012 736	-
Offsetting of depreciation			-	-
Asset de-recognition			(0)	(0)
Balance at 30 June 2012	2 237 678	52 870 044	1552 683 397	1607 791 119
2013				
Prior Year Adjustments (Note 42)			3 099 011	3 099 011
Change in accounting policy (Note 43)			-	-
Change in accounting estimate (Note 44)			-	-
Restated balance at beginning of the year	2 237 678	52 870 044	1555 782 408	1610 890 130
Surplus/(deficit) for the year			72 954 930	72 954 930
Transfer to CRR		72 115 812	(72 115 812)	-
Proceeds on derocognition				-
Contribution from CRR - purchase PPE		(64 994 836)	64 994 836	-
Transfer to FDR Government Grants Reserve			-	-
Transfer to FDR Don. and Public Contri. Reserve			-	-
Transfer to Housing Development Fund	90 708		(90 708)	-
Transfer from Housing Development Fund	(1 527 621)		1 527 621	-
Offsetting of depreciation			-	-
Asset de-recognition			-	-
Balance at 30 June 2013	800 765	59 991 021	1623 053 274	1683 845 060

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 R	2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
<u>Receipts:</u>		688 381 542	644 821 274
Ratepayers		512 372 165	485 995 842
Government - Operating		59 415 460	67 410 584
Government - Capital		43 652 200	29 984 571
Other		72 941 716	61 430 278
<u>Payments:</u>		(570 997 861)	(580 888 288)
Suppliers		(265 701 437)	(289 139 768)
Employees		(175 259 913)	(164 088 124)
Other		(130 036 511)	(127 660 396)
Cash generated from/(utilised in) operations	47	117 385 694	63 934 998
Interest received		13 041 666	12 848 103
Interest paid		(3 052 737)	(2 282 204)
Net cash from operating activities		127 374 622	74 500 897
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment		(117 202 193)	(110 621 809)
Proceeds on de-recognition of Property, Plant & Equipment		296 734	3 497 830
(Increase)/decrease in assets held for sale	20	356 000	334 729
(Increase)/decrease in investment properties	17	-	-
(Increase)/decrease in long-term receivables	19	453 218	597 127
Net cash from investing activities		(116 096 240)	(106 192 123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits	9	1 579 216	1 269 810
Proceeds/(repayment) of finance lease liability	4	(19 881)	1 004 436
Proceeds/(repayment) of other long-term liabilities	5	(2 010 251)	29 921 553
Net cash from financing activities		(450 916)	32 195 798
Net increase / (decrease) in cash and cash equivalents		10 827 466	504 572
Cash and cash equivalents at the beginning of the year		197 474 049	196 971 489
Cash and cash equivalents at the end of the year	25	208 299 502	197 474 049

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013 COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET			
	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)
NET ASSETS AND LIABILITIES			
Net assets	1683 845 060	1826 592 298	(142 747 238)
Housing development fund	800 765	2 800 000	(1 999 235)
Reserves	59 991 021	(896 188)	60 887 209
Capital replacement reserve	59 991 021	(896 188)	60 887 209
Accumulated surplus	1623 053 274	1824 688 486	(201 635 212)
Non-current liabilities	231 337 156	134 339 000	96 998 156
Employee benefits	148 190 516	92 100 000	56 090 516
Non-current provisions	54 890 168	13 500 000	41 390 168
Finance Lease liability	1 457 093	1 350 000	107 093
Other Long-term liabilities	26 564 176	27 189 000	(624 824)
Non-current deposits	235 202	200 000	35 202
Current liabilities	130 365 588	108 350 000	22 015 588
Consumer deposits	14 464 499	12 000 000	2 464 499
Provisions	1 909 274	1 600 000	309 274
Current Employee benefits	21 627 622	6 000 000	15 627 622
Payables from Exchange transactions	81 155 746	75 000 000	6 155 746
Unspent conditional grants and receipts	7 625 972	9 450 000	(1 824 028)
VAT Payable	-	2 500 000	(2 500 000)
Cash and cash equivalents	-	-	-
Operating Lease Liability	530 704	550 000	(19 296)
Current portion of Finance lease liability	1 042 521	-	1 042 521
Current portion of other long-term liabilities	2 009 250	1 250 000	759 250
Total Net Assets and Liabilities	2045 547 804	2069 281 298	(23 733 493)

Explanations for material variances

Expenditure on projects funded from the Housing Development funds has realised earlier than expected.

The Municipality has contributed more to the CRR in prior years than expected in the budget.
Refer to the variances explained in the Statement of Financial Performance. The correction of prior year amounts also had an effect on the actual amount, which could not be budgeted for.

The Actuarial valuations done on Employee benefits has taken into account the possible retirement date of 50 years, which increased the liability.
This is due to the increase in the Provision for the rehabilitation of Landfill sites. An additional Landfill site was provided for in Provision.

Incorrectly budgeted for only one repayment of the R30 Million loan repayment for the year. Repayment is done bi-annually at an amount of R1m.
Interest on the funds was not taken into account in the budget.

Budgeted for fewer new consumers registrations.
New review of Provision for Rehabilitation of Landfill sites included an addition Landfill site, which was not budgeted for.

The current employee benefits for Performance bonuses, Staff leave, Accrued overtime and accrued bonuses was budgeted under Payables from Exchange transactions.
More Trade Creditors payable at year end than budgeted for. The Municipality budgeted to spend more on Capital budget than what has realised.
The Municipality's performance on Grant expenditure improved from the prior years and therefore the fewer amount unspent at year end.
VAT receivable at year end. Budgeted for VAT to be payable at year end in accordance with prior year actuals.

Finance lease on computers was renewed in the 2012/2013 financial year, which was not budgeted for.
Incorrectly budgeted for only one repayment of the R30 Million loan repayment for the year. Repayment is done bi-annually at an amount of R1m.

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
ASSETS				
Non-current assets	1749 329 542	1803 541 549	(54 212 006)	
Property, plant and equipment	1411 803 113	1051 691 549	360 111 564	The Municipality has undergone an extensive review of the useful lives of the assets on its asset register. This review is the reason for the difference between the budget and the actual amounts.
Intangible Assets	167 436	50 000	117 436	
Investment Property	332 651 301	750 000 000	(417 348 699)	Impairment on Investment property in the 2011/12 financial year was not included in the Budget.
Heritage Assets	4 130 596	-	4 130 596	Heritage assets was included in PPE above, a prior year correction has been done to rectify.
Long-term receivables	577 097	1 800 000	(1 222 903)	The payment percentage of Housing selling scheme debtors dropped drastically from 60% to 30%. The impairment of these debtors is therefor the reason for the difference between the budget and the actual amount.
Current assets	296 218 262	265 739 749	30 478 513	
Inventory	10 493 912	17 880 000	(7 386 088)	Assets unused in the previous year was taken up as Inventory and moved to the specific project during the year.
Receivables from Exchange transactions	33 003 277	33 188 423	(185 146)	
Other receivables from non-exchange transactions	34 541 148	21 862 793	12 678 354	The Municipality budgeted for a better Property Rates collection rate than what realised. The Property Rates has been impaired accordingly.
Current portion of long-term receivables	460 362	300 000	160 362	
Assets classified as held for sale	6 339 640	7 000 000	(660 360)	
VAT Receivable	2 959 404	-	2 959 404	Budgeted for VAT to be payable at year end as per prior years actuals.
Cash and Cash equivalents	208 299 502	185 388 533	22 910 969	Additional funds became available for investment purposes and was invested in line with the Municipality's Cash and Investments policy.
Operating Lease Assets	121 018	120 000	1 018	
Total Assets	2045 547 804	2069 281 298	(23 733 493)	-

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Explanations for material adjustments
NET ASSETS AND LIABILITIES				
Net assets	1826 592 298	-	1826 592 298	
Housing development fund	2 800 000	-	2 800 000	No adjustments was made to the Council Approved Statement of Financial position.
Reserves	(896 188)	-	(896 188)	
Capital replacement reserve	(896 188)	-	(896 188)	
Accumulated surplus	1824 688 486	-	1824 688 486	
Non-current liabilities	134 339 000	-	134 339 000	
Employee benefits	92 100 000	-	92 100 000	
Non-current provisions	13 500 000	-	13 500 000	
Finance Lease liability	1 350 000	-	1 350 000	
Other Long-term liabilities	27 189 000	-	27 189 000	
Non-current deposits	200 000	-	200 000	
Current liabilities	108 350 000	-	108 350 000	
Consumer deposits	12 000 000	-	12 000 000	
Provisions	1 600 000	-	1 600 000	
Current Employee benefits	6 000 000	-	6 000 000	
Payables from Exchange transactions	75 000 000	-	75 000 000	
Unspent conditional grants and receipts	9 450 000	-	9 450 000	
VAT Payable	2 500 000	-	2 500 000	
Cash and cash equivalents	-	-	-	
Operating Lease Liability	550 000	-	550 000	
Current portion of Finance lease liability	-	-	-	
Current portion of other long-term liabilities	1 250 000	-	1 250 000	
Total Net Assets and Liabilities	2069 281 298	-	2069 281 298	-

ADJUSTMENTS TO APPROVED BUDGET (Continued)			
	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)
ASSETS			Explanations for material variances
Non-current assets	1803 541 549	-	1803 541 549
Property, plant and equipment	1051 691 549	-	1051 691 549
Intangible Assets	50 000	-	50 000
Investment Property	750 000 000	-	750 000 000
Heritage assets	-	-	-
Long-term receivables	1 800 000	-	1 800 000
Current assets	265 739 749	-	265 739 749
Inventory	17 880 000	-	17 880 000
Receivables from Exchange transactions	33 188 423	-	33 188 423
Other receivables from non-exchange transactions	21 862 793	-	21 862 793
Current portion of long-term receivables	300 000	-	300 000
Assets classified as held for sale	7 000 000	-	7 000 000
VAT Receivable	-	-	-
Cash and Cash equivalents	185 388 533	-	185 388 533
Operating Lease Assets	120 000	-	120 000
Total Assets	2069 281 298	-	2069 281 298

No adjustments was made to the Council Approved Statement of Financial position.

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013**

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
REVENUE				
<u>Revenue from Non-exchange Transactions</u>	215 896 755	221 410 689	(5 513 934)	
<u>Taxation revenue</u>	77 561 543	77 721 154	(159 611)	
Property rates	77 561 543	77 721 154	(159 611)	
<u>Transfer revenue</u>	125 748 599	139 221 525	(13 472 926)	
Government grants and subsidies	112 183 037	126 801 328	(14 618 291)	Underspending on Housing grant projects at year-end. These funds have been rolled-over to the 2013/14 financial year. Not all funds toward Housing Topstructures has realised for the year.
Public contributions, donated and contributed PPE	13 565 562	12 420 197	1 145 365	Funds for the Shelter for the Homeless did not realise, however these funds was received in August 2013.
<u>Other non-exchange revenue</u>	12 586 612	4 468 010	8 118 602	
Fines	7 326 023	4 468 010	2 858 013	The Traffic fines has almost doubled from the previous year due to increases in penalty charges.
Actuarial gains	5 260 589	-	5 260 589	These gains is a non-cash transaction which is recognised after an Actuarial valuation of Employee benefits has been performed. The municipality could not foresee this entry.
<u>Revenue from Exchange Transactions</u>	496 600 326	511 203 946	(14 603 620)	
Property rates-penalties imposed & collection charges	1 749 638	1 500 000	249 638	
Service charges	428 098 208	434 344 841	(6 246 633)	The Municipality has complied with GRAP 104 and recognised an accrual for the consumption of water and electricity. This was a first time implementation and was not budgeted for.
Rental of facilities and equipment	11 703 324	11 074 386	628 938	
Interest earned - external investments	12 788 897	12 000 000	788 897	More investment possibilities during the year, which improved the interest received.
Interest earned - unamortised discount	-	-	-	
Interest earned - outstanding debtors	252 769	261 400	(8 631)	
Licences and permits	4 698 881	4 561 000	137 881	
Gain on de-recognition of Property, Plant & Equipment	130 167	22 500	107 667	Additional assets disposed than what was anticipated.
Other income	37 178 442	47 439 819	(10 261 377)	The Municipality has budgeted for a R7.5 million contribution from the Accumulated surplus, which was not necessary after actuals was reviewed.
Total Revenue	712 497 081	732 614 635	(20 117 554)	

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)				
	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
EXPENDITURE				
Employee related costs	189 218 147	192 111 656	(2 893 509)	Vacancies due to resignation / dismissal. The post of the Director Town Planning & Development was one of the post that became vacant during the financial year.
Remuneration of Councillors	8 073 770	8 428 321	(354 551)	
Debt Impairment Costs	15 091 483	14 000 000	1 091 483	Budgeted for fewer Sewerage debtors to be impaired in accordance with payment percentage.
Collection costs	5 942 566	5 912 622	29 944	
Depreciation	41 850 519	56 790 574	(14 940 055)	The Municipality has undergone an extensive review of the useful lives of the assets on its asset register. This review is the reason for the difference between the budget and the actual amounts.
Amortisation - Intangible Assets	19 097	97 835	(78 738)	
Actuarial losses	1 480 973	2 500 000	(1 019 027)	These losses is a non-cash transaction which is recognised after an Actuarial valuation of Employee benefits has been performed. The municipality budgeted in line with prior year report from Actuaries.
Repairs and maintenance	37 487 642	41 790 510	(4 302 868)	An additional amount of R1.7 million was budgeted for Deforestation, but the funds did not realise for this expenditure. Savings on projects also realised.
Finance costs	3 052 737	2 953 092	99 645	
Bulk purchases	190 995 837	190 495 435	500 402	
Contracted services	32 736 835	34 129 514	(1 392 679)	Savings realised on contracted services for Sanitation, Prepaid system and Account printing.
Grants and subsidies paid	4 763 961	5 565 392	(801 431)	Fewer subsidies paid to Indigent and Poor households than budgeted for.
General expenses	111 139 062	133 433 187	(22 294 125)	Underspending on Housing grant projects at year-end. These funds have been rolled-over to the 2013/14 financial year. Not all funds toward Housing Topstructures has realised for the year. A Saving of R2.6 million has realised on Materials & Stores.
Loss on de-recognition of Property, Plant & Equipment	939 555	355 500	584 055	Additional assets disposed than what was anticipated.
Total Expenditure	642 792 183	688 563 638	(45 771 455)	
Impairment / Fair Value adjustment of Investment Property	3 250 033	(1 500 000)	4 750 033	This is a non-cash entry that is recognised once an Independent Valuer has valued the Investment Property of the Municipality. The amount was not available when budget was finalised in February 2013.
SURPLUS/(DEFICIT) FOR THE YEAR	72 954 930	42 550 997	30 403 933	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
REVENUE				
<u>Revenue from Non-exchange Transactions</u>	221 410 689	-	221 410 689	
<u>Taxation revenue</u>	77 721 154	-	77 721 154	No adjustments was made to the Council Approved budget for Revenue.
Property rates	77 721 154	-	77 721 154	
<u>Transfer revenue</u>	139 221 525	-	139 221 525	
Government grants and subsidies	135 979 525	(9 178 197)	126 801 328	
Public contributions, donated and contributed PPE	3 242 000	9 178 197	12 420 197	
<u>Other non-exchange revenue</u>	4 468 010	-	4 468 010	
Fines	4 468 010	-	4 468 010	
Actuarial gains	-	-	-	
<u>Revenue from Exchange Transactions</u>	511 203 946	-	511 203 946	
Property rates-penalties imposed & collection charges	1 500 000	-	1 500 000	
Service charges	434 344 841	-	434 344 841	
Rental of facilities and equipment	11 074 386	-	11 074 386	
Interest earned - external investments	12 000 000	-	12 000 000	
Interest earned - unamortised discount	-	-	-	
Interest earned - outstanding debtors	261 400	-	261 400	
Licences and permits	4 561 000	-	4 561 000	
Gain on de-recognition of Property, Plant & Equipment	22 500	-	22 500	
Other income	47 439 819	-	47 439 819	
Total Revenue	732 614 635	-	732 614 635	

ADJUSTMENTS TO APPROVED BUDGET (Continued)				
	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
EXPENDITURE				
Employee related costs	191 752 411	359 245	192 111 656	All adjustments made to the Expenditure budget was due to virements approved by Council between expenditure accounts. These adjustments has a nett effect on the total budget Approved by Council.
Remuneration of Councillors	8 428 321	-	8 428 321	
Debt Impairment Costs	14 000 000	-	14 000 000	
Collection costs	6 200 000	(287 378)	5 912 622	
Depreciation	56 790 574	-	56 790 574	
Amortisation - Intangible Assets	97 835	-	97 835	
Actuarial losses	2 500 000	-	2 500 000	
Repairs and maintenance	42 619 879	(829 369)	41 790 510	
Finance costs	2 953 092	-	2 953 092	
Bulk purchases	190 495 435	-	190 495 435	
Contracted services	33 601 753	527 761	34 129 514	
Grants and subsidies paid	5 565 392	-	5 565 392	
General expenses	133 203 446	229 741	133 433 187	
Loss on de-recognition of Property, Plant & Equipment	355 500	-	355 500	
Total Expenditure	688 563 638	-	688 563 638	
Impairment / Fair Value adjustment of Investment Property	(1 500 000)	-	(1 500 000)	
SURPLUS/(DEFICIT) FOR THE YEAR	42 550 997	-	42 550 997	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
<u>Receipts:</u>	688 381 542	664 193 521	24 188 022	
Ratepayers	512 372 165	472 274 100	40 098 066	Refer to Budget comparison for Statement of Financial Performance for detail of variances.
Government - Operating	59 415 460	70 537 125	(11 121 665)	Underspending on Housing grant projects at year-end.
Government - Capital	43 652 200	41 418 884	2 233 316	These funds have been rolled-over to the 2013/14
Other	72 941 716	79 963 412	(7 021 696)	Refer to Budget comparison for Statement of Financial Performance for detail of variances.
<u>Payments:</u>	(570 997 861)	(591 431 772)	20 433 911	
Suppliers	(265 701 437)	(271 129 056)	5 427 619	An additional amount of R1.7 million was budgeted for Deforestation, but the funds did not realise for this expenditure. Savings on projects also realised.
Employees	(175 259 913)	(184 802 324)	9 542 411	Vacancies due to resignation / dismissal. The post of the Director Town Planning & Development was one of the post that became vacant during the financial year.
Other	(130 036 511)	(135 500 392)	5 463 881	Underspending on Housing grant projects at year-end. These funds have been rolled-over to the 2013/14 financial year. Not all funds toward Housing Topstructures has realised for the year.
Cash generated from/(utilised in) operations	117 385 694	72 761 749	44 623 945	
Interest received	13 041 666	12 261 400	780 266	More investment possibilities during the year, which improved the interest received.
Interest paid	(3 052 737)	(2 953 092)	(99 645)	
Net cash from operating activities	127 374 622	82 070 057	45 304 565	

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)

	2013 R (Actual)	2013 R (Final Budget)	2013 R (Variance)	Explanations for material variances
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant & Equipment	(117 202 193)	(130 153 045)	12 950 853	Refer to Note 46 of the Financial Statements for Detail on this variance.
Proceeds on de-recognition of Property, Plant & Equipment	296 734	35 000 000	(34 703 266)	
(Increase)/decrease in assets held for sale	356 000		356 000	This movement was budgeted under the Proceeds on Disposal of PPE.
(Increase)/decrease in investment properties	-		-	
(Increase)/decrease in long-term receivables	453 218	500 000	(46 782)	
Net cash from investing activities	(116 096 240)	(94 653 045)	(21 443 195)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in consumer deposits	1 579 216	350 000	1 229 216	Budgeted for fewer new consumers registrations.
Proceeds/(repayment) of finance lease liability	(19 881)		(19 881)	Budget included under the Budget for Long-term liabilities.
Proceeds/(repayment) of other long-term liabilities	(2 010 251)	2 300 000	(4 310 251)	Incorrectly budgeted for proceeds in stead of the repayment of the outstanding loans.
Net cash from financing activities	(450 916)	2 650 000	(3 100 916)	
Net increase / (decrease) in cash and cash equivalents	10 827 466	(9 932 989)	20 760 454	
Cash and cash equivalents at the beginning of the year	197 474 049	195 321 521	2 152 528	
Cash and cash equivalents at the end of the year	208 299 502	185 388 533	22 910 969	Additional funds became available for investment purposes and was invested in line with the Municipality's Cash and Investments policy.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ADJUSTMENTS TO APPROVED BUDGET

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
<u>Receipts:</u>	664 193 521	-	664 193 521	
Ratepayers	472 274 100	-	472 274 100	No adjustments was made to the Council Approved Cash flow Statement.
Government - Operating	70 537 125	-	70 537 125	
Government - Capital	41 418 884	-	41 418 884	
Other	79 963 412	-	79 963 412	
<u>Payments:</u>	(591 431 772)	-	(591 431 772)	
Suppliers	(271 129 056)	-	(271 129 056)	
Employees	(184 802 324)	-	(184 802 324)	
Other	(135 500 392)	-	(135 500 392)	
Cash generated from/(utilised in) operations	72 761 749	-	72 761 749	
Interest received	12 261 400	-	12 261 400	
Interest paid	(2 953 092)	-	(2 953 092)	
Net cash from operating activities	82 070 057	-	82 070 057	

ADJUSTMENTS TO APPROVED BUDGET (Continued)

	2013 R (Approved Budget)	2013 R (Adjustments)	2013 R (Final Budget)	Reasons for material adjustments
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant & Equipment	(130 153 045)	-	(130 153 045)	No adjustments was made to the Council Approved Cash flow Statement.
Proceeds on de-recognition of Property, Plant & Equipment	35 000 000	-	35 000 000	
(Increase)/decrease in assets held for sale		-	-	
(Increase)/decrease in investment properties		-	-	
(Increase)/decrease in long-term receivables	500 000	-	500 000	
Net cash from investing activities	(94 653 045)	-	(94 653 045)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in consumer deposits	350 000	-	350 000	
Proceeds/(repayment) of finance lease liability		-	-	
Proceeds/(repayment) of other long-term liabilities	2 300 000	-	2 300 000	
Net cash from financing activities	2 650 000	-	2 650 000	
Net increase / (decrease) in cash and cash equivalents	(9 932 989)	-	(9 932 989)	
Cash and cash equivalents at the beginning of the year	195 321 521	-	195 321 521	
Cash and cash equivalents at the end of the year	185 388 533	-	185 388 533	

Notes to the Annual Financial Statements

Note 1: Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless stated otherwise.

1.1 Basis of presentation

The Annual Financial Statements have been prepared on an accrual basis of accounting.

The financial statements have been prepared in accordance with the Municipal Finance Management Act, (Act 56 of 2003) and effective standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

The reporting framework is prescribed by the Accounting Standards Board (ASB) in Directive 5 of March 2009 and is summarised below.

The effective standards, in accordance with Directive 5 of the Accounting Standards Board are summarised as follows:

Reference	Topic
GRAP 1	Presentation of Financial Statements (as revised in 2010)
GRAP 2	Cash Flow Statements (as revised in 2010)
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
GRAP 4	The Effects of changes in Foreign Exchange Rates (as revised in 2010)
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions (as revised in 2010)
GRAP 10	Financial Reporting in Hyperinflationary Economics (as revised in 2010)
GRAP 11	Construction Contracts (as revised in 2010)
GRAP 12	Inventories (as revised in 2010)
GRAP 13	Leases (as revised in 2010)
GRAP 14	Events after the reporting date (as revised in 2010)
GRAP 16	Investment Property (as revised in 2010)
GRAP 17	Property, Plant and Equipment (as revised in 2010)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of Cash-generating Assets

GRAP 100	Non-current Assets held for Sale and Discontinued Operations (as revised in 2010)
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IPSAS 20	Related Party Disclosures
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC 102)	Income Taxes
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445)	Service Concession Arrangements

The Municipality resolved to early adopt the following approved GRAP standards where and effective date has been determined by the Minister of Finance:

Standard	Description	Effective Date
GRAP 25	Employee Benefits	1 April 2012

The following list of directives, interpretations and guidelines of the Standards of GRAP form part of the GRAP reporting framework:

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and consequential amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes

IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
Guide 1	Guideline on Accounting for Public Private Partnerships

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised in 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7 "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.
- in the case of land and buildings a value as determined by a registered valuator.

1.2 Presentation currency

These annual financial statements are presented in South African Rand and all amounts are rounded to the nearest Rand.

1.3 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

1.4 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.5 Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.6 Standards, Amendments To Standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 105	Transfers of Functions Between Entities under Common Control
GRAP 106	Transfers of Functions Between Entities Not under Common Control
GRAP 107	Mergers

1.7 Foreign currency transactions

The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act (MFMA).

1.8 Presentation of Budget information

The presentation of budget information is prepared in accordance with the GRAP standards. The annual financial statements and the budget are on the same basis of accounting, therefore a comparison between the budgeted and actual amounts for the reporting period are included in the annual financial statements.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

Explanations for differences between the approved and final budget are included in the annual financial statements.

Explanations for material differences between the final budget amounts and actual amounts are included the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.9 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the Municipality maintains a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the Municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available and not already committed to approved existing Housing projects.

1.10 Reserves

1.10.1 Capital Replacement Reserve (CRR)

In order to finance capital assets from internal sources, amounts are transferred out of the accumulated surplus into the Capital Replacement Reserve (CRR) in terms of the funding and reserves policy adopted by the Municipality. The cash in the CRR can only be used to finance capital expenditure appropriated in an approved budget. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

1.11 Employee Benefits

(a) Pension obligations

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Post Retirement Medical obligations*

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) *Long Service awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) *Ex gratia Gratuities*

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.

Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(e) *Accrued Leave pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and is calculated as per collective bargaining council agreement.

(f) *Accrued Annual and Performance bonuses*

Liabilities for annual and performance bonuses are recognised as they accrue to employees.

Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. These accruals are an estimate of the amount due to staff as at the financial year end.

(g) *Other short-term employee benefits*

The cost of short-term employee benefits is recognised in the period in which the service is rendered. Liabilities are recognised as they accrue to employees.

1.12 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

1.13 Leases

1.13.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity.

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.13.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.14 Long-term liabilities (Borrowings)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.15 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.16 Payables from Exchange Transactions

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

1.17 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

1.18 Value Added Tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.19 Property, Plant and Equipment**1.19.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated property, plant and equipment is recognised at its fair value.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.19.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.19.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives at acquisition of all Property, Plant and Equipment. These useful lives can be extended in applying a review of useful lives.

Infrastructure	Years	Other	Years
Roads	12-100	Buildings	15-100
Stormwater	12-100	Specialist vehicles	7-50
Electricity	15-100	Other vehicles	7-50
Water	12-120	Office equipment	2-35
Sewerage	10-140	Bins and containers	5-35
		Other	3-100
Community			
All community assets	5-100		

1.19.4 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.20 Investment Property**1.20.1 Initial Recognition**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.20.2 Subsequent Measurement – Fair Value

Subsequent to initial recognition investment properties are measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

1.20.3 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.21 Intangible Assets**1.21.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.21.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.21.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives at acquisition of intangible assets. These useful lives can be extended in applying a review of useful lives.

<u>Intangible Assets</u>	Years
Computer Software	2-5
Other intangible assets	3-30

1.21.4 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.22 Heritage assets**1.22.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Economic Entity, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.22.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.22.3 Depreciation and Impairment

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.22.4 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.23 Assets classified as held for sale**1.23.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.23.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.23.3 Derecognition

Non-current assets and disposal groups classified as held for sale will cease to be classified as such when the recognition criteria are no longer met.

1.24 Impairment of Assets**1.24.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.24.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- depreciated replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the

asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. With this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.25 Non-current investments

Non-current investments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost using the effective interest method less any impairment. Where an investment has been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period the impairment is identified.

1.26 Inventories**1.26.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.26.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. In general, the basis of allocating cost to inventory items is the weighted average method.

1.27 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the

receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

1.28 Cash and Cash Equivalents

Cash includes cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and cash with banks, net of bank overdrafts.

1.29 Revenue Recognition

1.29.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from sewerage and sanitation for residential and business properties are levied annually based on a fixed tariff.

Rentals are recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant liability, if the grant conditions indicate that interest is payable to the funder.

Revenue from the **sale of goods** is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The income for **agency services** recognised is commission in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

1.29.2 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from **property rates** is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. **Contributed property, plant and equipment** are recognised when such items of property, plant and equipment are brought into use.

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, Act No.56 of 2003, and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Grants, Transfers and Donations

Revenue received from **conditional grants, donations and funding** are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

1.30 Grants and Subsidies paid

The municipality transfers money to individuals and organisations from time to time, based on merit. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction,
- Expect to be repaid in future, and
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events give rise to the transfer occurred.

1.31 Changes in accounting policy, estimates and errors

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Detail of changes in accounting estimates are disclosed in the notes to the annual financial statements.

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

1.32 Unauthorised Expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act No.56 of 2003, the Municipal Systems Act, Act No.32 of 2000, the Public Office Bearers Act, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.34 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.35 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Executive Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.36 Interest in Joint Venture

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Joint ventures take many different forms and structures. There are three broad types that meet the definition of a joint venture, namely:

- Jointly controlled operations
- Jointly controlled assets
- Jointly controlled entities

Jointly controlled assets

A jointly controlled asset involves joint control and often the joint ownership by the venturers of assets contributed to or acquired for the purpose of the joint venture and dedicated to the purpose of the joint venture, without the establishment of a corporation, partnership or other entity.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

1.37 Financial Instruments

The Municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

1.37.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents

1.37.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities

1.37.3 Measurement

Initial Recognition:

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement:

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost.

Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.37.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.37.5 Derecognition of Financial Instruments

1.37.5.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.37.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.37.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.38 Contingent Liabilities / Assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and liabilities are not recognised in the Statement of Financial Position.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

1.39 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.40 Significant accounting judgements and estimates

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time. For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions above describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Notes 2 – 56: Other Notes to Annual Financial Statements

2. HOUSING DEVELOPMENT FUND

	2013 R	2012 R
Balance at beginning of the year	2 237 678	7 146 355
Income	90 708	104 058
Land Sales	23 684	4 395
Housing Letting/Selling Scheme Loans	-	-
Interest on investments	67 024	99 663
Housing Debtors	-	-
Less: Expenditure	1 527 621	5 012 736
Funding Capital Projects	-	-
Funding Operating Projects	1 527 621	5 012 736
Total Housing Development Fund assets and liabilities	800 765	2 237 678

3. CAPITAL REPLACEMENT RESERVE

Balance at beginning of the year	52 870 044	58 444 327
Income	72 115 812	63 907 467
Land Sales contribution	782 902	4 454 025
External Services contribution	2 204 423	1 440 015
Buy-out of Parking areas contribution	128 487	13 427
Contribution from Operating account	69 000 000	58 000 000
Other	-	-
Less: Expenditure	64 994 836	69 481 750
Funding Capital Projects	64 994 836	69 481 750
Total Capital Replacement Reserve	59 991 021	52 870 044

The Capital Replacement Reserve is fully funded and invested in financial instruments.

4. FINANCE LEASE LIABILITY

	2013 R	2012 R
Computers (Rentworks Africa)	2 094 273	1 898 864
Vehicles (Fleet Africa)	142 613	357 863
Office equipment (Nashua)	262 729	262 769
Sub-total	2 499 614	2 519 496
Less: Current portion transferred to current liabilities	1 042 521	997 582
Computers (Rentworks Africa)	775 497	684 681
Vehicles (Fleet Africa)	142 613	215 250
Office equipment (Nashua)	124 411	97 651
Total Finance lease liability	1 457 093	1 521 914

Finance lease liability:

Finance lease liabilities relate to vehicles and office equipment with lease terms not more than five years. Finance leases bear interest at rates between 9.3 and 14.6 percent for Computers, between 15.4 and 17.5 percent for Vehicles and between 8.9 and 31 percent for Office Equipment. Finance lease liabilities are secured over the items of vehicles and office equipment leased.

Obligations under Finance leases:

Finance lease liabilities - Minimum capital lease payments:

No later than 1 year	1 278 744	1 291 896
Later than 1 year and no later than 5 years	1 624 209	1 925 252
Later than 5 years	-	-
	2 902 952	3 217 148
Future finance charges on finance leases	(403 338)	(697 652)
	2 499 614	2 519 495

The present value of finance lease liabilities is as follows:

No later than 1 year	1 042 521	997 582
Later than 1 year and no later than 5 years	1 457 093	1 521 914
Later than 5 years	-	-
	2 499 614	2 519 496

Refer to Note 42.1 for detail regarding the restatement of the previous year balance.

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5. OTHER LONG-TERM LIABILITIES

	2013 R	2012 R
Local registered stock loans	573 426	583 677
Long-term loan	28 000 000	30 000 000
Annuity loans	-	-
Sub-total	28 573 426	30 583 677
Less: Current portion transferred to current liabilities	2 009 250	2 036 010
Local registered stock loans	9 250	36 010
Long-term loan	2 000 000	2 000 000
Annuity loans	-	-
Total Other Long-term Liabilities	26 564 176	28 547 667

Refer to Appendix A for more detail on Long-term liabilities.

Refer to Note 45.1 for detail regarding the change in comparative figures.

Local registered stock loans:

Local registered stock loans bear interest at rates between 12 and 15 percent per annum and are repayable between one and six years.

Long-term loan:

The municipality has taken up a R30 million loan from the Development Bank of South Africa to fund the Seawater Desalination plant constructed in the 2010/11 financial year. This loan bear interest at a floating rate of 8.275%.

Annuity loans:

Annuity loans bear interest at NIL percent. Loans was fully redeemed in the 2009/10 financial year.

6. NON-CURRENT PROVISIONS

	2013 R	2012 R
Rehabilitation of Landfill sites	41 994 739	37 239 815
Clearing of Alien Vegetation	14 804 703	15 917 366
	56 799 442	53 157 181
Less: Transfer to Current Provisions	1 909 274	1 845 860
Rehabilitation of Landfill sites	1 109 274	1 145 860
Clearing of Alien Vegetation	800 000	700 000
Total Non-Current Provisions	54 890 168	51 311 321
Rehabilitation of Landfill sites	40 885 465	36 093 955
Clearing of Alien Vegetation	14 004 703	15 217 366

The movement in non-current provisions are reconciled as follows:

	<u>Alien Vegetation</u>	<u>Rehabilitation of Landfill Sites</u>
30 June 2013		
Balance at beginning of year	15 217 366	36 093 955
Contribution to provisions	-	4 754 924
Reduction in carrying amount of provision	(472 895)	-
Reversal of unused amounts from current	60 232	1 145 860
Transfer to current provision	(800 000)	(1 109 274)
Balance at end of year	14 004 703	40 885 465
30 June 2012		
Balance at beginning of year	688 832	14 264 660
Contribution to provisions	15 224 360	22 259 155
Reduction in carrying amount of provision	-	-
Reversal of unused amounts from current	4 174	716 000
Transfer to current provision	(700 000)	(1 145 860)
Balance at end of year	15 217 366	36 093 955

6.1 REHABILITATION OF LANDFILL SITES

Provision is made in terms of the Municipality's licensing stipulations of the landfill sites for the rehabilitation of these sites. The provision has been determined by consulting engineers. The payment dates of total closure and rehabilitation are uncertain, but are expected to be between 2014 and 2018.

6.2 CLEARING OF ALIEN VEGETATION

Provision is made in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) for the clearing of alien vegetation as settlement of the obligations in respect of this Act.

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7. EMPLOYEE BENEFITS

	2013 R	2012 R
Post Employment Health Care Benefits	141 567 555	131 842 127
Ex-Gratia Gratuities	1 793 426	1 632 326
Long Service Awards	9 628 292	8 124 926
	<u>152 989 273</u>	<u>141 599 379</u>
Less: Transfer to Current liability	4 798 757	4 518 076
Post Employment Health Care Benefits	3 223 385	3 157 920
Ex-Gratia Gratuities	320 303	167 218
Long Service Awards	<u>1 255 069</u>	<u>1 192 938</u>
Total Non-Current liability	148 190 516	137 081 303
Post Employment Health Care Benefits	138 344 170	128 684 207
Ex-Gratia Gratuities	1 473 123	1 465 108
Long Service Awards	<u>8 373 223</u>	<u>6 931 988</u>

The movement in Employee benefits are reconciled as follows:

	<u>Post Empl Health care Benefits</u>	<u>Ex-Gratia Gratuities</u>	<u>Long Service Awards</u>
30 June 2013			
Balance at beginning of year	131 842 127	1 632 326	8 124 926
Interest Cost	10 648 888	119 316	732 013
Service cost & transitional liability	7 641 905		656 250
Benefit payments (Expenditure incurred)	(3 304 776)	(311 276)	(1 012 810)
Actuarial loss / (gain)	(5 260 588)	353 060	1 127 913
Transfer to current provision	(3 223 385)	(320 303)	(1 255 069)
Balance at end of year	<u>138 344 170</u>	<u>1 473 123</u>	<u>8 373 223</u>
30 June 2012			
Balance at beginning of year	85 538 740	1 515 265	6 990 489
Interest Cost	7 341 440	109 456	513 203
Service cost & transitional liability	4 283 229	-	913 759
Benefit payments (Expenditure incurred)	(2 954 246)	(162 909)	(1 105 654)
Actuarial loss / (gain)	37 632 964	170 514	813 129
Transfer to current provision	(3 157 920)	(167 218)	(1 192 938)
Balance at end of year	<u>128 684 207</u>	<u>1 465 108</u>	<u>6 931 988</u>

DEFINED BENEFIT PLAN INFORMATION

7.1 POST EMPLOYMENT HEALTH CARE BENEFITS

7.1.1 Introduction and Statistics used:

In-service employees

The post-retirement medical aid subsidy for qualifying employees is 70% of the applicable medical aid.

Continuation members

The post-retirement medical aid subsidy for qualifying pensioners is 70% of the total monthly contribution to the applicable medical aid.

The method of funding prescribed by GRAP25 is called the "Projected Unit Method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to the Valuation Date. Assumptions are made in respect of, inter-alia, medical scheme contribution increases, withdrawals, deaths and ill-health, early and normal retirements. These payments are discounted at the valuation rate of discount to determine the present value of the liabilities at the Valuation Date.

The same method was used in the previous valuation as at 30 June 2012.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2013	2012
- In-service members	442	434
- In-service non-members	401	400
- Continuation members	114	103
Total	<u>957</u>	<u>937</u>

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The unfunded liability in respect of past service has been estimated as follows:

	2013 R	2012 R
- In-service members	80 444 340	74 162 854
- In-service non-members	7 183 141	6 238 079
- Continuation members	53 940 074	51 441 193
	141 567 555	131,842,127

Summary of In-service members:

	2013	2012
Number of Principal members	442	434
Number of Eligible non-members	401	400
Proportion Male	75%	76%
Average age of members	42.5	42.5
Average past service	7.2	7.1
Average retirement subsidy in today's terms (Includes only In-service members)	R 2 115	R 1 982

Summary of Continuation members:

Number of Principal members	114	103
Proportion Male	56.1%	53.4%
Average age of members	64.8	65.1
Average Employer Contribution p.m.	R 2 281	R 2 394

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwumed.

7.1.2 Results of Valuation:

1) Accrued Liability

	2013 R'000	2012 R'000
In-service members	80 444	74 163
In-service non-members	7 183	6 238
Continuation members	53 940	51 441
All members		
Total Value of liabilities	141 568	131 842
Value of assets	-	-
Unfunded Accrued Liability	141 568	131 842

The total liability increased by 7% over the accounting period.

The main reasons for this movement are as follows:

In-service members:

The liability in respect of in-service members increased by 8% over the accounting period.

The following factors contributed to this increase:

- The average service increase over the accounting period.
- The average subsidy payable to in-service employees increased over the accounting period.
- The change in actuarial assumptions.

The above factors were offset by:

- Change in medical aid options, in particular lower contribution option
- The average age decreased over the accounting period.
- The non eligible employees average contribution decreased.

Pensioners:

The liability in respect of pensioners increased by 5% over the accounting period.

The following factors contributed to this increase:

- The change in actuarial assumptions.
- The number pensioners increased over the accounting period.

The above factors were offset by:

- The average age of pensioners decreased over The accounting period
- The average subsidy of pensioners decrease over The accounting period.

2) Current-Service and Interest Costs

	2013 R	2012 R
Current-service Cost (In-service members)	7 641 905	4 283 229
Interest Cost (All members)	10 648 888	7 341 440
Total Cost	18 290 793	11 624 669

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3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	(5 260 588)	37 632 963
Contribution to Actuarial (Gain)/Loss:		
Average Medical inflation more than assumed	2 764 926	-
Basis changes : Decrease in net discount rate	-	2 393 355
Contribution increases higher than assumed	-	4 720 758
Contribution member's genders different from assumed	-	32 563 845
Change in medical aid option	(5 020 609)	-
Change in assumptions	1 691 646	-
Changes to Membership profile different from assumed	(4 696 551)	(2 044 995)
	(5 260 588)	37 632 963

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015
Opening Accrued Liability	74 831 908	85 538 739	131 842 126	141 567 555	155 613 796
Current-service Cost	3 589 550	4 283 230	7 641 905	7 042 070	7 565 296
Interest Cost	6 724 378	7 341 440	10 648 888	10 518 469	11 562 105
Contributions (Benefit payments)	(2 642 744)	(2 954 246)	(3 304 776)	(3 514 298)	(3 704 845)
Total Annual Expense	7 671 184	8 670 424	14 986 017	14 046 241	15 422 556
Actuarial Loss / (Gain)	3 035 647	37 632 963	(5 260 588)	-	-
Closing Accrued Liability	85 538 739	131 842 126	141 567 555	155 613 796	171 036 352

7.1.3 Key actuarial assumptions used:

1) Key financial assumptions

	2013	2012
i) Rate of interest		
Discount Rate	7.43%	8.08%
Health Care Cost Inflation Rate	6.34%	6.89%
General inflation rate (CPI)	5.18%	5.39%
Net Effective Discount Rate	1.03%	1.10%

The assumption for increases in medical scheme contributions should be consistent with the inflation rate assumption and the discount rate. As mentioned above, it is this interrelationship that is crucial.

GRAP25 requires that the liabilities be discounted with reference to the yield on the government long term bond.

We have therefore used the yield on the government R186 long term bond of 7.43% per annum as at 30 June 2013.

The assumed rate of inflation was derived by subtracting the long term CPI linked bond yield (R202) from a fixed coupon bond yield with a corresponding term (R186). The corresponding rates for the two bonds were 1.66% per annum and 7.43% per annum as at 30 May 2013.

The CPI rate was therefore set at 5.18% in line with market expectation. Due to high medical cost we have assumed that the healthcare cost will outstrip general inflation. Thus the Health care cost inflation was therefore set at 6.34% per annum.

Valuations of defined benefit pension funds are typically based on investment returns exceeding salary inflation by 1% to 3% per annum. The assumptions used are therefore consistent with medical scheme contributions stabilising at current levels as a percentage of payroll.

2) Key demographic assumptions

i) Mortality

Before normal retirement

During employment: SA85-90 (Light) ultimate table

After retirement

The PA (90) rate down one year tables for males and females were used for mortality after normal retirement. The previous valuation uses the same mortality. We have used this for consistency purposes. We have investigated this mortality and are satisfied to retain the same approach.

ii) Retirement age

We have assumed that employees will retire at age 60. The same assumption was used at the previous valuation. It is possible for employees to take early retirement from age 50, and still qualify for the subsidy.

We assumed 100% of current eligible in-service members will remain on medical aid scheme at retirement. We also assumed 10% of current eligible in-service non-members will be on medical aid scheme at retirement (should they not exit employment before then).

iii) Withdrawal from service

If an in service member were to leave employment, there would be no post-employment obligation in respect of that member. A sample of the assumed withdrawal rates is as follows:

Age	Withdrawal rate
20 - 24	16%
25 - 29	12%
30 - 34	10%
35 - 39	8%
40 - 44	6%
45 - 49	4%
50 - 54	2%
55 +	0%

iv) Other assumptions

We assumed 100% of current eligible in-service members will remain on medical aid scheme at retirement. We also assumed 10% of current eligible in-service non-members will be on medical aid scheme at retirement (should they not exit employment before then).

For current employees and pensioners it was assumed that males were four years older than their female spouses. For current employees it was assumed that 80% of them would be married when the subsidy commences.

For married couples we have assumed that the males would be 4 years older than the females.

We have assumed that the child dependants of pensioners are 17 years old and will remain on the scheme until age 21.

We made no distinction between those adult dependants who are likely to remain dependant for life and those who are full time student older than 25 years who are likely to become independent shortly. We assumed that adult dependants of pensioners would remain on the scheme for 4 years after the valuation date. For all adult dependants we assumed that they would become independent on the valuation date.

We assumed that members will remain on the same medical scheme and option within that scheme that they were on prior to retirement, and similarly that spouse's will remain on the same scheme and option that the member was on prior to death.

We assumed that on retirement member would have an income (for the purposes of determining their income category) of 65% of their income just prior to retirement.

It was further assumed that 100% of members would, upon reaching retirement, continue with their medical aid and thus enjoy the post retirement subsidy provided by the employer.

7.1.4 The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

Fair value of plan assets

Unfunded Accrued Liability

Unrecognised Transitional Liability

Unrecognised Past Service Cost

Unrecognised Actuarial Gains/(Losses)

Miscellaneous Item

Net liability

2013 R	2012 R
141 567 555	131 842 126
-	-
141 567 555	131 842 126
-	-
-	-
-	-
-	-
141 567 555	131 842 126

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7.1.5 The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	7 641 905	4 283 229
Interest cost	10 648 888	7 341 440
Actuarial losses/ (gains)	(5 260 588)	37 632 963
Vested past service cost		
Total included in employee related costs (Note 32) and Actuarial losses	13 030 205	49 257 632

7.1.6 History of Liabilities, Assets and Experience Adjustments

i) Present value of accrued liability and Fair value of plan assets

	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
	R'000	R'000	R'000	R'000	R'000
Present value of accrued liability	62 154	74 832	85 539	131 842	141 568
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(62 154)	(74 832)	(85 539)	(131 842)	(141 568)

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
	R'000	R'000	R'000	R'000
Plan liabilities (Gain) / Loss	12 088	(4 667)	2 676	1 932
Plan assets	-	-	-	-

7.1.7 Sensitivity Analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

Assumptions	Change	Liability (R'000)	% Change
Central assumptions		141 568	
Medical inflation	-1%	119 965	-15%
Medical inflation	+1%	169 084	19%
Post-retirement mortality	-2 yrs	145 216	3%
Post-retirement mortality	+2 yrs	130 628	-8%
Withdrawal rates	- 50%	153 246	8%

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2013:

Assumptions	Change	Total (R'000)	% Change
Central assumptions		18 421	
Medical inflation	-1%	15 349	-17%
Medical inflation	+1%	22 389	22%
Post-retirement mortality	-2 yrs	18 887	3%
Post-retirement mortality	+2 yrs	17 027	-8%
Withdrawal rates	- 50%	21 011	14%

7.2 EX-GRATIA GRATUITIES

7.2.1 Introduction and Statistics used:

The Municipality provides pension benefits to all employees that are not members of the Pension - or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

Certain pensions are paid by the Municipality from its revenue and are therefore not funded by any of the Municipality's pension funds. The Revenue Pensions are also referred to as "Ex-Gratia" Pensions. Pensioners receive a monthly pension, increased annually payable for life.

There is a 60% contingent pension payable to a spouse upon the pensioner's death.

The Mossel Bay Municipality's currently aims to target pension increases of 50% of the Headline CPI inflation. The actual increase for the years 2013 was 3% which is consistent with regards to 50% of CPI.

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The contribution rate payable is as follows:

For continuation members, the member contribution is 70% and the Council contribution is 30%. For current employees the contribution rate is 60/40.

Statistics on eligible retirees:

	2013	2012
Number of Pensioners	11	12
Average annual pension (Rand)	21 828	14 073
Pension-weighted average age	74.6	72.8

7.2.2 Results of Valuation:

1) Accrued Liability

	2013 R	2012 R
Total Value of liabilities	1 793 426	1 632 326
Value of assets	-	-
Unfunded Accrued Liability	1 793 426	1 632 326

The total liability has increased by 9.9% or R161 100 over the accounting period. The main reasons for this increase are:

- Average pension increased over the accounting period
- The change in actuarial assumption
- The average age of pensioners increased over the accounting period.

The above factors were offset by a decrease in number of pensioners.

2) Current-Service and Interest Costs

Total Interest Costs	119 316	109 456
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Actuaries are of opinion that there is no Current-service Cost as there are no in-service members eligible for ex-gratia pension benefits.

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	353 060	170 514
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Contribution to Actuarial (Gain)/Loss:

Basis changes	65 214	(51 495)
Benefits paid higher / (lower) than expected	80 798	(1 613)
Pension increases higher than assumed	(10 184)	(164)
Changes to Membership profile different from assumed	217 232	223 786
	353 060	170 514

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015
Opening Accrued Liability	924 867	1 515 266	1 632 327	1 793 427	1 594 476
Current-service Cost	-	-	-	-	-
Interest Cost	72 919	109 456	119 316	121 352	107 543
Benefit payments	(140 216)	(162 909)	(311 276)	(320 303)	(294 108)
Total Annual Expense	(67 297)	(53 453)	(191 960)	(198 951)	(186 565)
Actuarial Loss / (Gain)	657 696	170 514	353 060	-	-
Closing Accrued Liability	1 515 266	1 632 327	1 793 427	1 594 476	1 407 911

7.2.3 Key actuarial assumptions used:

	2013	2012
<u>1) Key financial assumptions</u>		
<u>i) Rate of interest</u>		
Discount Rate	7.43%	8.08%
Pension increase rate	2.59%	2.70%
Post retirement discount rate	4.72%	5.24%

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GRAP25 requires that the Municipality's liabilities be discounted with reference to the yield on government bond with corresponding term. We have therefore used the R186 government bond with effective annual yield of 7.43% per annum as at 30 June 2013. This valuation interest rate has been used to determine the present value of future benefit payments before and after retirement. The discount rate was therefore set at 7.43% p.a.

2) Key demographic assumptions

i) Mortality rates

The PA90 ultimate mortality table rated down by one year was used in the valuation for the mortality of pensioners.

7.2.4 The amounts recognised in the Statement of Financial Position are as follows:

	2013 R	2012 R
Present value of fund obligations	1 793 426	1 632 326
Fair value of plan assets	-	-
Unfunded Accrued Liability	1 793 426	1 632 326
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	1 793 426	1 632 326

7.2.5 The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	119 316	109 456
Actuarial losses/ (gains)	353 060	170 514
Vested past service cost	-	-
Total included in employee related costs (Note 32) and Actuarial losses	472 376	279 970

7.2.6 History of Liabilities, Assets and Experience Adjustments:

1) Present value of accrued liability and Fair value of plan assets

	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
Present value of accrued liability	899 085	924 867	1 515 265	1 632 326	1 793 426
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(899 085)	(924 867)	(1 515 265)	(1 632 326)	(1 793 426)

2) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
Plan liabilities (Gain) / Loss	43 673	583 653	223 622	207 048
Plan assets	-	-	-	-

7.2.7 Sensitivity analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

Assumptions	Change	Liability	% Change
Central assumptions		1 793 426	
Pension Increase rate	-1%	1 903 401	6%
Pension Increase rate	+1%	1 694 948	-5%
Post-retirement mortality	-1 yr	1 849 028	3%

Sensitivity Analysis on the Interest Costs for the year ending 30 June 2013:

Assumptions	Change	Interest cost	% Change
Central assumptions		121 352	
Pension Increase rate	-1%	112 091	-8%
Pension Increase rate	+1%	129 383	7%
Post-retirement mortality	-1 yr	125 484	3%

7.3 LONG SERVICE AWARDS

7.3.1 Introduction and Statistics used:

In accordance with the requirements of GRAP25, a uniform rate of benefit accrual was applied over the future working lives of members.

The assumed annual rate of discount used to calculate the present value of the liability was 7.43% per annum. This is consistent with yields on long term government bonds.

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The long service bonus is calculated as follows:
1/250th OF ANNUAL SALARY PER DAY

Long service bonuses are calculated based on the number of days awarded to an employee after a specified number of years service as follows:

10 years service = 10 working days
15 years service = 15 working days
20 years service = 20 working days
25 years service = 25 working days
30 years service = 30 working days plus one calendar month
35 years service = 35 working days plus one calendar month
40 years service = 40 working days plus one calendar month
45 years service = 45 working days plus one calendar month

The liability calculated as the present value of expected future retirement benefit. The projected unit method was used to value the liability. For example, a 40-year-old staff member with 15 years of service and an expected retirement age of 60 has a total potential service of 35 years. In this case, assuming that the employee "earns" an equal share for each year of service, the past-service liability assumed to have accrued at the valuation date, for the 20, 25, 30 and 35 year LSB is then 15/20, 15/25, 15/30 and 15/35 of the respective total liabilities. The future service liability is the difference between the total liability and the past-service liability. The future service cost is determined as the amount assumed to accrue to the employee over the 12 months following. In this example, these amounts to 1/20, 1/25, 1/30 and 1/35 of the respective total liabilities.

Statistics on eligible employees:

	2013	2012
Number of eligible employees	828	824
Average annual salary (Rand)	126 672	112 596
Salary-weighted average age	44.4	43.3
Salary-weighted average past service	10.9	10.7

7.3.2 Results of Valuation:

1) Accrued Liability

	2013 R	2012 R
Total Value of liabilities	9 628 292	8 124 926
Value of assets	-	-
Unfunded Accrued Liability	9 628 292	8 124 926
Average liability per member	11 628	9 860

The total liability has increased by 18.5% or R1 503 366 due to:

- The number of employees increased over the accounting period
- The average age of employees increased over the accounting period
- The average service increased over the accounting period
- The change in actuarial assumption
- The average salary in respect of employees increased

2) Current-Service and Interest Costs

Current-service Cost	732 013	913 759
Interest Cost	656 250	513 203
Total Cost	1 388 263	1 426 962

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	1 127 913	813 129
--------------------------------------	------------------	----------------

Contribution to Actuarial (Gain)/Loss:

Basis changes : (Increase)/Decrease in net discount rate	141 005	681 662
Change in Long-service award policy	-	-
Benefits paid lower than expected	-	-
Salary increases (lower)/higher than assumed	560 866	(355 482)
Actual benefit vestings lower than expected	-	-
Changes to Membership profile different from assumed	426 042	486 949
	1 127 913	813 129

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015
Opening Accrued Liability	6 463 589	6 990 489	8 124 926	9 628 292	9 817 210
Current-service Cost	871 207	913 759	732 013	775 231	714 224
Interest Cost	534 912	513 203	656 250	668 756	726 474
Benefit payments	(900 995)	(1 105 654)	(1 012 810)	(1 255 069)	(1 322 843)
Total Annual Expense	505 124	321 308	375 453	188 918	117 855
Actuarial Loss / (Gain)	21 776	813 129	1 127 913	-	-
Closing Accrued Liability	6 990 489	8 124 926	9 628 292	9 817 210	9 935 065

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7.3.3 <u>Key actuarial assumptions used:</u>	2013	2012
<u>1) Key financial assumptions</u>		
<u>i) Rate of interest</u>		
Discount rate	7.43%	8.08%
Salary Inflation Rate	5.94%	6.39%
Net Effective Discount Rate	1.41%	1.58%

GRAP 25 requires that the Municipality's liabilities be discounted with reference to the yield on high quality corporate debt. In South Africa there is not a liquid market in corporate debt and therefore the Actuaries used the gross government R186 long-term bond yield which was equal to 8.08% effective per annum as at 30 June 2012. The valuation interest rate has been used to determine the present value of future benefit payments before and after retirement.

Regular salary increases are granted by the Municipality from 1 July 2013. The current valuation is done using data effective May 2013 and salary increases that will apply from 1 July 2013 are not yet known. We have assumed that salaries will increase on 1 July 2013 by 7.5% pa (based on actual inflation over the last 12 months) plus a merit increase, in line with the actuarial assumption.

2) Key demographic assumptions

i) Mortality rates

Allowance has been made for pre-retirement decrements using SA85 – 90 Ultimate table, as per the previous valuation

ii) Normal retirement age

The normal retirement age is 65 years of age for Municipalities, and that an employee may retire early from age 60. We have therefore assumed a normal retirement age of 65. This is the same assumption that was used as at the previous valuation. We also assumed an employee may retire early from age of 60 to make allowance for the impact of early retirement.

iii) Withdrawal from service

If an in-service member leaves, the employer's liability in respect of that member ceases. A sample of the assumed withdrawal rates is as follows:

Age	Females	Males
20 - 24	24%	16%
25 - 29	18%	12%
30 - 34	15%	10%
35 - 39	10%	8%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55+	0%	0%

7.3.4 <u>The amounts recognised in the Statement of Financial Position are as follows:</u>	2013	2012
	R	R
Present value of fund obligations	9 628 292	8 124 926
Fair value of plan assets	-	-
Unfunded Accrued Liability	9 628 292	8 124 926
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	9 628 292	8 124 926

7.3.5 <u>The amounts recognised in the Statement of Financial Performance are as follows:</u>	2013	2012
Current service cost	732 013	913 759
Interest cost	656 250	513 203
Actuarial losses/ (gains)	1 127 913	813 129
Vested past service cost	-	-
Total included in employee related costs (Note 32) and Actuarial losses	2 516 176	2 240 091

7.3.6 History of Liabilities, Assets and Experience Adjustments:

i) Present value of accrued liability and Fair value of plan assets:

	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
Present value of accrued liability	5 969 984	6 463 589	6 990 489	8 124 926	9 628 292
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(5 969 984)	(6 463 589)	(6 990 489)	(8 124 926)	(9 628 292)

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ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
Plan liabilities (Gain) / Loss	95 064	(344 738)	131 466	986 908
Plan assets	-	-	-	-

7.3.7 Sensitivity Analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

Assumptions	Change	Liability (R'000)	% Change
Central assumptions		9 628 292	
Salary inflation	-1%	8 930 401	-7%
Salary inflation	+1%	10 408 187	8%
Average retirement age decrease	-2 yrs	9 181 783	-5%
Average retirement age increase	+2 yrs	10 164 983	6%
Withdrawal rates	- 50%	11 910 983	24%

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2013:

Assumptions	Change	Total	% Change
Central assumptions		1 443 987	
Salary inflation	-1%	1 326 286	-8%
Salary inflation	+1%	1 576 843	9%
Average retirement age decrease	-2 yrs	1 379 176	-4%
Average retirement age increase	+2 yrs	1 520 409	5%
Withdrawal rates	- 50%	1 913 538	33%

7.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is a defined benefit plan, whereas the Cape Retirement Fund, the Municipal Councillors Fund and the Provident Fund are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in The membership distribution of The participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

CAPE JOINT PENSION FUND

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the year ended 30 June 2012 (30 June 2011) revealed that the fund had an actuarial surplus of R18 287 (R58 935) with a funding level of 99.4% (98.1%), and is in a sound financial state as at 30 June 2012.

CAPE RETIREMENT FUND

The fund is in a sound financial condition at the valuation date of 30 June 2012. The total value of net assets of the Fund was R11.348 billion. An effective investment return of 11.6% per annum was awarded for the Growth Portfolio, 7.3% for the Protection Portfolio and 9.2% for the Moderate Portfolio for the year ending 30 June 2012. The funding level for the Share account was 99.9% and 108% for the Pensions account.

SALA PENSION FUND

The fund has been certified in a sound financial position as at 1 July 2006 and has improved to a position where it is now 100% funded. It should be noted that the rule amendments giving effect to the changes as at 1 July 2003 in terms of the previous Scheme of Arrangement have been approved. Although these rule amendments were fully backdated, there is a risk that some benefit payments may still be necessary in terms of the precedent set by the Adjudicator's ruling that a member was underpaid in a specific instance. Provision for this eventuality has been made in the financial account of the Fund. The Council is contributing an additional 2,71% to the fund as from 1 July 2005 effective from July 2003.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

As actuaries of SAMWU provident Fund, Towers Watson, confirmed that the fund is financially stable, operates as a going concern and has no liquidity issues.

8. NON-CURRENT DEPOSITS

	2013 R	2012 R
Santos Pavilion Repair Fund		
Balance at beginning of year	228 020	220 309
Contributions during the year	-	-
Interest on Investment	7 183	7 711
Expenditure during the year	-	-
	<u>235 202</u>	<u>228 020</u>

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 93-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100 000 to Council as an investment. Interest earned may be used by Council for the maintenance of the building, should he fail to do it himself.

9. CONSUMER DEPOSITS

	2013 R	2012 R
Electricity	7 866 152	6 905 084
Water	6 598 347	5 980 199
Total consumer deposits	<u>14 464 499</u>	<u>12 885 283</u>
Guarantees held in lieu of electricity deposits	<u>-</u>	<u>-</u>

No Guarantees are held in lieu of electricity and water. No interest accrues on consumer deposits.

10. PROVISIONS (CURRENT PORTION)

	2013 R	2012 R
Rehabilitation of Landfill sites	1 109 274	1 145 860
Clearing of Alien Vegetation	800 000	700 000
Total Provisions	<u>1 909 274</u>	<u>1 845 860</u>

Refer to Note 45.2 for detail regarding the change in comparative figures.

The movement in current provisions are reconciled as follows:

	2013 R	2012 R
Rehabilitation of Landfill sites		
Balance at beginning of year	1 145 860	716 000
Transfer from non-current	1 109 274	1 145 860
Contributions to provisions	-	-
Unused amount reversed to non-current	(1 145 860)	(716 000)
Expenditure incurred	-	-
Balance at end of year	<u>1 109 274</u>	<u>1 145 860</u>

Rehabilitation of Landfill sites:

This is the current portion which is due of the non-current provision. (refer note 6)

Clearing of Alien Vegetation

Balance at beginning of year	700 000	690 000
Transfer from non-current	800 000	700 000
Contributions to provisions	-	-
Unused amount reversed to non-current provision	(60 232)	(4 174)
Expenditure incurred	(639 768)	(685 826)
Balance at end of year	<u>800 000</u>	<u>700 000</u>

Clearing of Alien Vegetation:

This is the current portion which is due of the non-current provision. (refer note 6)

11. CURRENT EMPLOYEE BENEFITS

Current portion of Post Employment Health Care Benefits	3 223 385	3 157 920
Current portion of Ex-Gratia Gratuities	320 303	167 218
Current portion of Long Service Awards	1 255 069	1 192 938
Staff Leave accrual	11 472 763	10 594 338
Performance Bonuses accrual	534 016	984 545
Employee Bonuses accrual	3 989 416	3 800 032
Employee Overtime / Standby allowances accrual	832 671	629 902
Provision for Pension fund shortages	-	-
Total Current Employee Benefits	<u>21 627 622</u>	<u>20 526 893</u>

Refer to Note 45.2 for detail regarding the change in comparative figures.

Performance bonuses accrual

Balance at beginning of year	984 545	933 865
Transfer from non-current	-	-
Contributions to provisions	534 016	984 545
Unused amount reversed to Statement of Financial Performance	-	(5 749)
Expenditure incurred	(984 545)	(928 116)
Balance at end of year	<u>534 016</u>	<u>984 545</u>

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Performance Bonus accrual:

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

Staff leave accrual

Balance at beginning of year	10 594 338	10 364 065
Transfer from non-current	-	-
Contributions to provisions	2 290 743	1 165 908
Unused amount reversed to Statement of Financial Performance	-	-
Expenditure incurred	(1 412 319)	(935 635)
Balance at end of year	11 472 763	10 594 338

Staff Leave Accrual:

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and the total remuneration package of the employee.

Employee bonus accrual

Balance at beginning of year	3 800 032	3 493 712
Transfer from non-current	-	-
Contributions to provisions	3 989 416	3 800 032
Unused amount reversed to Statement of Financial Performance	-	-
Expenditure incurred	(3 800 032)	(3 493 712)
Balance at end of year	3 989 416	3 800 032

Employee bonus Accrual:

Annual bonuses accrue to employees on an annual basis, based on the employee contract. These accruals are an estimate of the amount due to staff as at the financial year end.

Employee Overtime / Standby allowances

Balance at beginning of year	629 902	769 506
Transfer from non-current	-	-
Contributions to provisions	832 671	629 902
Unused amount reversed to Statement of Financial Performance	-	-
Expenditure incurred	(629 902)	(769 506)
Balance at end of year	832 671	629 902

Employee Overtime / Standby allowances accrual:

An accrual is done for the Overtime/Standby allowances that accrued to employees with regards to the financial year.

Pension Fund Investment Shortfall

Balance at beginning of year	-	4 171 742
Transfer from non-current	-	-
Contributions to provisions	-	-
Unused amount reversed to Statement of Financial Performance	-	(32 159)
Expenditure incurred	-	(4 139 583)
Balance at end of year	-	-

Pension Fund Investment Shortfall:

Local authorities associated with the Cape Joint Pension Fund are under an obligation to contribute pro rata to the Fund such a sum as will make up for any shortage between actual earnings and an investment return of 5,5% on all its assets. The Fund's actuary has calculated a shortfall in the investments returns in respect of defined benefits component. Mossel Bay Municipality is liable for a pro rata payment to the Fund and has made a payment to the fund in this regard to the amount of R4 139 583. The unused amount of the provision has been reversed to the Statement of Financial Performance.

12. PAYABLES FROM EXCHANGE TRANSACTIONS

	2013	2012
	R	R
Trade payables	50 247 848	33 290 965
Payments received in advance	10 189 877	10 389 928
Accrued Expenditure	47 284	108 016
Retentions	13 237 225	16 314 372
Other payables	262 028	205 892
Other deposits	7 171 484	6 247 985
Total Payables from exchange transactions	81 155 746	66 557 159

Refer to Note 45.2 for detail regarding the change in comparative figures.

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30 day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

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13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2013	2012
	R	R
<u>13.1 Conditional grants from spheres of government</u>	6 372 619	16 751 696
Provincial Grants (Note 29)	6 264 559	16 172 863
National Grants (Note 29)	108 060	578 833
Other Government Grants (Note 29)	(0)	-
<u>13.2 Other conditional receipts</u>	1 253 353	2 459 293
District Municipality	-	-
Developers contributions	-	-
Public contributions (Note 31)	1 253 353	2 459 293
Total unspent conditional grants and receipts	7 625 972	19 210 990

These amounts are invested in a ring-fenced investments until utilised in terms of section 12 of the MFMA.

Refer to Notes 42.4 for detail regarding the restatement of previous year balances.

Refer to Note 29 for reconciliation of Grants & Subsidies and Note 31 for reconciliation of Public Contributions. Also refer to Appendix D for detail per Vote, per Project and Per Grant/contribution.

14. VAT Payable / Receivable

	2013	2012
	R	R
VAT Payable	-	-
VAT Receivable	2 959 404	1 035 849
Total VAT Receivable / (Payable)	2 959 404	1 035 849

VAT is payable on the receipts basis. Only once payment is received from debtors VAT is paid over SARS.

15. PROPERTY, PLANT & EQUIPMENT

	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
As at 30 June 2012			
Land	204 142 509	-	204 142 509
Buildings	139 040 710	17 222 071	121 818 639
Infrastructure	1085 753 979	216 896 269	868 857 710
Community	81 541 771	23 141 534	58 400 237
Other	109 063 401	30 243 798	78 819 603
Total	1619 542 371	287 503 672	1332 038 699
	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
As at 30 June 2013			
PPE	1739 635 172	327 832 060	1411 803 113
Total	1739 635 172	327 832 060	1411 803 113

Refer to Notes 42.2 for detail regarding the restatement of previous year balances.

Refer to Note 51 for the amount of contractual commitment for the acquisition of PPE. The amount of R19 195 259 for contractual commitments is approved and contracted.

There are no restrictions on title and property, plant and equipment pledged as securities for liabilities.

Included in the Infrastructure cost is an amount of R127 832 541 for the Seawater Desalination Plant which was completed during the year and is the Municipality's portion of the capital expenditure for the construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. There are no budgeted capital commitments toward the Seawater Desalination facility for the following year.

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16. INTANGIBLE ASSETS

	2013	2012
	R	R
Carrying values at the beginning of the year		
Cost	186 532	227 731
Accumulated amortisation	429 461	429 461
	(242 929)	(201 730)
Acquisitions	-	-
De-recognition	-	-
Amortisation	(19 097)	(41 199)
Amortisation written back on de-recognition	-	-
Carrying values at the end of the year		
Cost	167 436	186 532
Accumulated amortisation	429 461	429 461
	(262 026)	(242 929)

Intangible assets are initially recognised at cost and are carried at cost less accumulated amortisation and impairments.

Intangible assets have finite useful lives and the estimated remaining useful lives are reviewed at each reporting period.

The amortisation expense is included in the line item "Amortisation - Intangible Assets" (Note 35) in the Statement of Financial Performance.

The municipality does not have any internally generated intangible assets.

17. INVESTMENT PROPERTY

	2013	2012
	R	R
Carrying values at the beginning of the year		
Cost	329 401 268	759 529 705
	329 401 268	759 529 705
Acquisitions	-	-
Fair Value adjustment	3 250 033	(430 128 437)
De-recognition	-	-
Reclassified as assets held for sale	-	-
Carrying values at the end of the year		
Cost	332 651 301	329 401 268
	332 651 301	329 401 268
Amounts included in Surplus/Deficit for the year, are as follows:		
Rental Revenue from Investment Property	695 459	672 506
Fair value adjustment	3 250 033	(430 128 437)
Repairs and Maintenance on Cash generating and Non-cash generating property	-	-

Refer to Notes 42.2 for detail regarding the restatement of previous year balances.

At initial recognition, the municipality measures Investment Property at cost and the fair value model is applied to investment property for subsequent measurement. Under the fair value model, Investment Property is carried at its fair value at the reporting date.

The fair value of Investment Property is supported by market evidence.

Revaluations were performed by an independent valuator, Mr CH Badenhorst, of Abathathu Valuers CC, who holds a recognised and relevant qualification. As the valuer are bound to place a fair value on the properties valued, he selected to make use of 3 different methods of valuation practice, namely, Market value, Capitalisation of Property Income and Replacement cost less depreciation.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of de-recognition.

18. HERITAGE ASSETS

	2013	2012
	R	R
Carrying values at the beginning of the year		
Cost	4 130 596	4 130 596
	4 130 596	4 130 596
Acquisitions	-	-
Disposals	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
Carrying values at the end of the year		
Cost	4 130 596	4 130 596
	4 130 596	4 130 596

Refer to Notes 42.2 for detail regarding the restatement of previous year balances.

The following Heritage Assets were identified, but no value could be provided:

Site 3419, Mossel Bay - Cave at the point

The Cape st. Blaize Cave at the point in Mosselbay situated on site 3419 is classified as a heritage asset controlled and owned by the Municipality. The Cape st. Blaize Cave yield artefacts dating back 80 000 years. The artefacts it selves are housed at the Culture Museum which is not controlled or owned by the Municipality.

Site 3794, Mossel Bay - War Memorial

The War Memorial at the point of Mosselbay situated on site 3794 is classified as a heritage asset controlled and owned by the Municipality. The War memorial was designed by WJ Delbridge, it was built in 1924 to commemorate the townsfolk who lost their lives in the World War I, a panel was added with the names of those was killed in the World War II.

Sites 7357 en 2938, Mossel Bay - Harry Giddey Park & Historical fresh water fountain

The Harry Giddey Park on site 2938 is classified as a heritage asset of the Municipality. The park was erected in 1887 and originally named after Queen Victory of England to commemorate her 50th year as Queen. The park was renamed later in 1939 as the Harry Giddey Park in honour of Mr Harry Giddey, a wealthy person of Mossel Bay for all the efforts to upgrade the park.

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19. LONG-TERM RECEIVABLES

	2013	2012
	R	R
Long-term receivables:	2 324 421	2 777 639
Study Loans	80 276	133 879
Land Sales Debtors	24 110	27 533
Public Assistance Loans	178 613	273 387
Housing Selling Scheme Loans	2 041 422	2 342 840
Less: Current portion transferred to current receivables	460 362	537 605
Land Sales Debtors	4 324	4 738
Public Assistance Loans	102 432	132 587
Housing Selling Scheme Loans	353 605	400 280
Less: Provision for Debt Impairment of long-term receivables	1 286 962	901 494
Housing Selling Scheme Loans	1 286 962	901 494
Total	577 097	1 338 541
Reconciliation of Debt Impairment of Long-term receivables		
Balance at beginning of year	901 494	1 040 298
Contribution to / (Reversal from) provision	385 469	(138 804)
Bad Debts written off / recovered	-	-
Balance at end of year	1 286 962	901 494

Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was also drawn from the system per suburb, as the report can not be drawn per scheme, and vice versa.

A payment percentage of 37.81 % was established and a provision for debt impairment was made for 62.19%.

No provision for debt impairment to be recognised for study and public assistance loans.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at a rate of between 12% and 15% per annum. The last repayment is in September 2018.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

20. ASSETS CLASSIFIED AS HELD FOR SALE

	2013	2012
	R	R
Carrying values at the beginning of the year	6 695 640	7 030 369
Investment Property	5 375 140	5 814 869
PPE	1 320 500	1 215 500
Transfers / adjustments - Investment Property		-
Transfers / adjustments - PPE	275 000	620 000
Investment Property sold during the year		(439 729)
PPE sold during the year	(631 000)	(515 000)
Carrying values at the end of the year	6 339 640	6 695 640
Investment Property	5 375 140	5 375 140
PPE	964 500	1 320 500

Assets classified as held for sale (PPE) refers to certain erven for the mid-income housing group in Arcotis avenue and Lelie avenue situated in the area of Great-Brak River. Council's aim is to provide housing to the mid-income group, i.e. people in police and correctional services, teachers and nursing staff. Non-current assets held for sale (Investment Property) relates to a portion of the commonage (Erf 2001) sold to private developers.

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21. INVENTORY

	2013	2012
	R	R
Consumable stores - at cost	938 642	755 979
Maintenance materials - at cost	8 029 304	10 586 992
Meters	357 423	399 807
Spare parts	10 637	10 465
Purification Materials	966 452	1 032 336
Water purification	191 455	65 020
Total inventory	10 493 912	12 850 599

Inventory to the value of R52 092 (NIL in 2011/12) was written off during the financial year.

Unsold properties held for resale to the amount of R4 079 009 was written off during the 11/12 financial year.

Refer to Note 42.3 for detail regarding the restatement of the previous year balance of maintenance materials.

22. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2013	Gross Balances	Provision for Debt Impairment	Net Balance
Service debtors	46 040 577	15 462 130	30 578 447
Electricity	16 919 424	2 260 367	14 659 058
Water	13 153 889	5 086 086	8 067 803
Refuse	4 891 914	1 719 656	3 172 258
Sewerage	11 075 350	6 396 022	4 679 328
Debtback Collections	1 979 476	1 974 007	5 469
Land Sales	6 426	5 000	1 426
Housing Instalments	1 065 885	532 688	533 197
Housing rentals	304 458	140 963	163 495
Other	2 488 588	767 346	1 721 242
Total	51 885 410	18 882 133	33 003 277

As at 30 June 2012

Service debtors	51 794 499	19 584 796	32 209 702
Electricity	15 599 652	1 825 168	13 774 484
Water	14 502 473	6 074 135	8 428 338
Refuse	5 390 451	2 150 039	3 240 412
Sewerage	16 301 922	9 535 454	6 766 468
Debtback Collections	3 000 906	2 999 037	1 869
Land Sales	11 346	8 799	2 547
Housing Instalments	1 096 619	596 735	499 884
Housing rentals	280 302	99 766	180 536
Other	1 259 025	700 689	558 336
Total	57 442 696	23 989 822	33 452 874

Electricity, Water, Refuse and Sewerage): Ageing

	R	R
Current (0 -30 days)	25 400 206	24 085 082
31 - 60 Days	1 295 058	1 983 482
61 - 90 Days	1 147 229	1 787 963
91 - 120 Days	998 931	1 662 463
121- 365 Days	1 802 274	2 563 222
> 365 Days	15 396 878	19 712 287
Total	46 040 577	51 794 499

Service debtors receivables that are past due as at the end of 2012/13 but not impaired, for less than 30 days is R24 468 161 (2011/12 = R22 313 590) and for more than 30 days is R6 110 286 (2011/12 = R9 896 112).

Debtback Collections

Current (0 -30 days)	181	471
31 - 60 Days	-	1 245
61 - 90 Days	-	153
91 - 120 Days	1 352	5 916
121- 365 Days	245 003	456 445
> 365 Days	1 732 940	2 536 676
Total	1 979 476	3 000 906

Debtback collection receivables that are past due as at the end of 2012/13 but not impaired, for less than 30 days is R181 (2011/12 = R471) and for more than 30 days is R5 288 (2011/12 = R1 398).

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Housing Instalments

Current (0 -30 days)	45 244	19 335
31 - 60 Days	14 937	6 960
61 - 90 Days	5 408	6 647
91 - 120 Days	5 319	6 602
121- 365 Days	10 701	12 891
> 365 Days	984 276	1 044 184
Total	1 065 885	1 096 619

Housing instalments receivables that are past due as at the end of 2012/13 but not impaired, for less than 30 days is R45 244 (2011/12 = R19 335) and for more than 30 days is R487 953 (2011/12 = R480 549).

Housing rentals: Ageing

	2013	2012
	R	R
Current (0 -30 days)	18 482	6 507
31 - 60 Days	5 622	2 204
61 - 90 Days	2 047	2 053
91 - 120 Days	1 898	1 938
121- 365 Days	3 778	3 681
> 365 Days	272 631	263 919
Total	304 458	280 302

Housing rentals receivables that are past due as at the end of 2012/13 but not impaired, for less than 30 days is R18 482 (2011/12 = R6 507) and for more than 30 days is R145 013 (2011/12 = R174 028).

Other

Current (0 -30 days)	1 647 788	491 438
31 - 60 Days	30 780	49 290
61 - 90 Days	46 068	17 608
91 - 120 Days	57 302	11 811
121- 365 Days	98 453	45 671
> 365 Days	608 197	643 207
Total	2 488 588	1 259 025

Other receivables that are past due as at the end of 2012/13 but not impaired, for less than 30 days is R1 647 788 (2011/12 = R491 438) and for more than 30 days is R73 454 (2011/12 = R66 898).

Land Sales

Current (0 -30 days)	629	852
31 - 60 Days	185	361
61 - 90 Days	176	322
91 - 120 Days	33	174
121- 365 Days	67	272
> 365 Days	5 335	9 365
Total	6 426	11 346

Land sales receivables that are past due as at the end of 2012/13 but not impaired, for less than 30 days is R629 (2011/12 = R852) and for more than 30 days is R797 (2011/12 = R1 695).

Reconciliation of Provision for debt impairment of receivables

Balance at beginning of year	23 989 822	16 299 683
Contribution to / (Reversal from) provision	13 834 196	16 617 165
Bad Debts written off / recovered	(18 941 886)	(8 927 026)
Balance at end of year	18 882 133	23 989 822

Summary of Receivables by Consumer Classification

Residential	31 472 681	40 230 290
Industrial / Commercial	13 061 614	11 661 229
National / Provincial government	946 973	608 048
Payments received in Advance	6 404 141	4 943 129
	51 885 410	57 442 696

23. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2013	2012
	R	R
Other Receivables from Non-Exchange transactions:	39 822 476	39 227 967
Rates	11 489 190	10 924 947
Accrued Income	20 884 844	16 906 819
Payments made in advance	46 856	-
Government subsidies	5 960 000	5 960 000
Other	1 441 587	5 436 201
Recoverable Expenditure	-	-
Less: Provision for debt impairment of other receivables	5 281 328	4 727 855
Rates	5 281 328	4 727 855
Other : Operating Balance PAWC (Housing Administration) + Mid-income housing	-	-
Total	34 541 148	34 500 112

Sundry debtors are grouped together in financial assets with similar credit risk characteristics and collectively assessed for debt impairment. However the "Other Debtors" are individually assessed.

No provision for debt impairment is made for debtors other than Rates Debtors.

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	2013	2012
	R	R
<u>Rates: Ageing</u>		
Current (0 -30 days)	4 525 499	4 091 564
31 - 60 Days	332 597	383 537
61 - 90 Days	286 049	334 272
91 - 120 Days	267 852	305 640
121- 365 Days	505 489	544 603
> 365 Days	5 571 704	5 265 330
Total	11 489 190	10 924 947

Rates receivables that are past due as at the end of 2012/13 but not impaired, for less than 30 days is R4 144 452 (2011/12 = R3 747 055) and for more than 30 days is R2 063 409 (2011/12 = R2 450 037).

Reconciliation of Provision for debt impairment of other receivables

Balance at beginning of year	4 727 855	16 119 328
Contribution to / (Reversal from) provision	803 972	1 984 854
Bad Debts written off / recovered	(250 499)	(13 376 327)
Balance at end of year	5 281 328	4 727 855

Summary of Rates by Consumer Classification

Residential	8 177 551	8 060 210
Industrial / Commercial	2 721 978	2 033 299
National / Provincial government	364 901	514 002
Payments received in Advance	224 759	317 436
	11 489 190	10 924 947

24. INVESTMENTS

	2013	2012
	R	R
Long-term Deposits : Other bodies	4 552 392	4 636 881
<u>Less:</u> Payment to other bodies	(4 552 392)	(4 636 881)
Short-term Investment deposits	205 000 000	170 000 000
<u>Less:</u> Current portion maturing within next 12 months - refer note 25	(205 000 000)	(170 000 000)
	-	-

No investments were written off during the year.

The average rate of return on Investments were 5.53% for the year ended 30 June 2013.

Investments are made in accordance with the municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- That council does not make use of the services of investment brokers
- Council's total investment portfolio be invested with banks rated as follows:
 - short-term investments (0 - 12 months) only institutions with a National credit rating of F1 and higher be used
 - long-term investments (more than 12 months) only institutions with a National credit rating of AA or higher be used
- Not more than 50% of the total investments invested with one institution

Long-term Deposits: Other bodies (Group Schemes)

These deposits are Group Scheme funds of employees that is paid over to the Municipality, who then invests these funds in the name of the employee in Money market funds. It therefor has no impact on the Municipality's Statement of Financial Position.

Annual Financial Statements for the year ended 30 June 2013

25. CASH AND CASH EQUIVALENTS		2013	2012
		R	R
Assets			
Petty Cash		18 960	18 660
Bank balances		3 280 542	27 455 389
Short-term Investment deposits		205 000 000	170 000 000
Total cash and cash equivalents - Assets		208 299 502	197 474 049
Liabilities			
Bank overdraft (as per Cash book balance)		-	-
Total cash and cash equivalents - Liabilities		-	-
<u>The municipality has the following bank accounts:</u>			
BANK ACCOUNT	Account Numbers		
Primary Bank Account - STANDARD BANK CHECQUE ACCOUNT	82846979	2 165 018	-
Secondary Bank Account - STANDARD BANK DEPOSIT ACCOUNT	82846936	(13 809)	-
Previous Bank Account - NEDBANK DEPOSIT ACCOUNT	1626566909	-	51 022 930
Previous Bank Account - NEDBANK CHECQUE ACCOUNT	1626566917	-	-
		2 151 210	51 022 930
		2013	2012
		R	R
Bank statement balance at beginning of year		51 022 930	29 697 695
Bank statement balance at end of year		2 151 210	51 022 930
Cash book balance at beginning of year		27 455 389	31 952 829
Cash book balance at end of year		3 280 542	27 455 389
Petty Cash / Float at beginning of year		18 660	18 660
Petty Cash / Float at end of year		18 960	18 660
INVESTMENTS: Current portion matures within next 12 months - Refer Note 24		205 000 000	170 000 000
All accounts are with STANDARD BANK. The balance of account no. 82846936 - deposit account, is swept to the cheque account - Primary bank account no. 82846979			
26. OPERATING LEASES		2013	2012
		R	R
The Municipality as lessee			
Operating leases relate to Buildings with lease terms of between one to ten years, with an option to extend for a further period. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.			
<u>In respect of Non-cancellable Operating Leases the following liabilities have been recognised in the Statement of Financial Position:</u>			
Balance at beginning of year		122 820	37 253
Movement for the year		407 885	85 566
Total Operating Lease Liabilities - as lessee		530 704	122 820
Refer to Note 42.6 for detail regarding the restatement of previous year balances.			
<u>The following payments have been recognised as an expenditure in the Statement of Financial Performance:</u>			
Lease payments		1 700 354	1 253 584
Total Operating Lease payments - as lessee		1 700 354	1 253 584
<u>At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:</u>			
Buildings			
Up to 1 year		2 121 298	1 023 674
1 to 5 years		5 249 460	933 274
More than 5 years		6 433 413	-
Total Operating Lease arrangements - as lessee		13 804 171	1 956 947
The Municipality as lessor			
Operating leases relate to Investment Property owned by the Municipality with lease terms of between one to forty years. The lessee does not have an option to purchase the property at the expiry of the lease period.			

Annual Financial Statements for the year ended 30 June 2013

In respect of Non-cancellable Operating Leases the following assets have been recognised in the

Statement of Financial Position:

Balance at beginning of year	120 588	104 300
Movement for the year	430	16 288
Total Operating Lease Assets - as lessor	121 018	120 588

The following receipts have been recognised as an income in the Statement of Financial Performance:

Lease income	695 459	672 506
Total Operating Lease income - as lessor	695 459	672 506

At the reporting date the municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

	2013	2012
	R	R
Investment Property		
Up to 1 year	821 449	615 394
1 to 5 years	1 883 593	991 853
More than 5 years	746 329	1 054 724
Total Operating Lease arrangements - as lessor	3 451 371	2 661 970

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

27. PROPERTY RATES

Actual

	2013	2012
	R	R
Residential	61 597 344	59 893 347
Commercial	15 511 121	12 801 501
Vleesbaai	354 157	347 137
Accommodation Establishments	1 699 483	(7 781)
State	343 537	260 017
Building Clause	12 455	12 705
Assessment Rate: Letting	1 358	1 386
Assessment Rate: State Building Kwa Nonqaba	142 780	39 804
Agricultural	845 770	689 238
Agricultural Business	530 041	162 678
Less: Income forgone	(3 476 504)	(2 813 141)
Total assessment rates	77 561 543	71 386 891

Valuations

	July 2013	July 2012
Residential	25 950 925 300	25 547 078 000
Commercial	3 254 195 400	2 768 056 900
State	582 962 500	473 881 600
Municipal	608 051 200	579 690 400
Parsonage	90 620 100	38 558 900
Building Clause	5 357 940	5 357 940
Accommodation Establishments	499 234 700	231 411 800
Accommodation Agricultural	154 975 000	50 332 000
Vleesbaai	493 930 700	495 873 100
Assessment Rate: State Building Kwa Nonqaba	22 223 900	45 160 100
Churches	158 587 900	163 264 800
Agricultural	1 431 030 000	1 190 122 100
Total property valuations	33 252 094 640	31 588 787 640

The valuation of land takes place every four years in terms of the determinations of the new Ordinance on Property Valuation, 1993. The basic rate for land and buildings ranged between R0,000601 and R0,004804 respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property tax. With regard to needy families, where the joint income of husband and wife amounted to less than R5 000 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes, it is noted that income for rates was not based on valuation as the values are less than R50 000. The first R50 000 of residential properties are not levied, R15 000 are impermissible rates and a rebate are given on R35 000.

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28. SERVICE CHARGES	2013	2012
	R	R
Sale of electricity	252 211 116	242 269 183
Sale of water	84 728 759	80 768 511
Refuse removal	38 704 461	35 166 863
Sewerage & sanitation charges	52 453 872	51 991 296
Total service charges	428 098 208	410 195 853

The service charges revenue are in respect of services rendered to consumers and billed in terms of Council's approved tariffs.

29. GOVERNMENT GRANTS AND SUBSIDIES	2013	2012
	R	R
Unconditional grants	42 495 000	36 969 949
Equitable share	42 495 000	36 969 949
Conditional grants	69 688 037	59 589 507
National Government Grants	20 334 834	23 700 797
Provincial Government Grants	48 457 622	35 251 439
Main Road Subsidy - Provincial	47 300	11 200
Other Grants	848 282	626 071
Total Government Grants & Subsidies	112 183 037	96 559 456

29.1 Summary of Government Grants & Subsidies	2013	2012
	R	R
Capital Government Grants & Subsidies	50 169 281	33 240 145
Operating Government Grants & Subsidies	62 013 756	63 319 311
Total	112 183 037	96 559 456

29.2 Equitable Share	2013	2012
	R	R
Balance unspent at beginning of year	-	-
Current year receipts	42 495 000	31 009 949
Adjustments	-	5 960 000
Conditions met - transferred to revenue	(42 495 000)	(36 969 949)
Conditions still to be met - transferred to liabilities (see note 13)	-	-

An amount of R5 960 000 of the Equitable share was withheld during the 2011/12 financial year.

29.3 National Government Grants	2013	2012
	R	R
Balance unspent at beginning of year	578 833	7 329 351
Current year receipts	22 667 000	20 183 000
Adjustments	(2 802 939)	(3 232 721)
Conditions met - transferred to revenue	(20 334 834)	(23 700 797)
Conditions still to be met - transferred to liabilities (see note 13)	108 060	578 833

Mossel Bay Municipality received various grants from National Government for operational and capital projects, such as the Municipal Infrastructure Grant. National Grants also include Finance Management Grant, EPWP and MSIG funding. Other than the amounts unspent, the conditions of the grants have been met.

29.4 Provincial Government Grants	2013	2012
	R	R
Balance unspent at beginning of year	16 089 374	13 179 930
Current year receipts	39 901 628	42 966 396
Adjustments / VAT	(1 352 310)	(4 805 513)
Conditions met - transferred to revenue	(48 457 622)	(35 251 439)
Conditions still to be met - transferred to liabilities (see note 13)	6 181 069	16 089 374

Mossel Bay Municipality received various grants from Provincial Government for operational and capital projects, such as Human Settlements grant, Thusong centre, Library services, Finance Management Support Grant, Greenest Town and the CDW grant. Other than the amounts unspent, the conditions of the grants have been met.

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29.5	<u>Main Roads Subsidy</u>	2013	2012
		R	R
	Balance unspent at beginning of year	-	-
	Current year receipts	47 300	11 200
	Conditions met - transferred to revenue	(47 300)	(11 200)
	Conditions still to be met - transferred to liabilities (see note 13)	-	-
29.6	<u>Other Grants</u>	2013	2012
		R	R
	Balance unspent at beginning of year	-	27 710
	Current year receipts	844 629	409 211
	Adjustments	3 653	189 151
	Conditions met - transferred to revenue	(848 282)	(626 071)
	Conditions still to be met - transferred to liabilities (see note 13)	-	-
The Municipality received funds for operational projects, such as funds from LGSETA. Other than the amounts unspent, the conditions of the grants have been met. The only funds delayed at 30 June 2013 was R192 804 from LGSETA.			
29.7	<u>Government Grants and Subsidies - SPENT PER VOTE</u>	2013	2012
		R	R
	Municipal Manager	-	-
	Corporate Services	4 310 106	4 617 921
	Financial Services	1 193 582	1 233 576
	Technical Services	15 801 165	16 905 987
	Community Services	10 630 659	2 554 692
	Electricity Services	877 212	5 986 604
	Development & Planning	36 875 313	28 290 727
	Total Spent	69 688 037	59 589 507
30.	OTHER INCOME	2013	2012
		R	R
	Building Plan Fees	2 609 728	2 633 372
	Availability Fees (Services)	15 631 575	15 021 084
	Land Usage Fees	654 289	517 717
	Contributions from External Services	2 204 423	1 440 015
	Contributions from Land Sales	330 609	23 895
	Insurance Claims	397 806	375 808
	Collection costs recovered	2 531 728	2 642 895
	Incentive from Grant Funding	9 358 166	8 038 234
	Other	3 460 118	4 424 365
	Total other income	37 178 442	35 117 386
31.	PUBLIC CONTRIBUTIONS, DONATED AND CONTRIBUTED PPE	2013	2012
		R	R
	District Municipality	-	-
	Developers Contributions	-	-
	Public Contributions	11 647 838	9 935 509
	Donated and Contributed PPE	-	330 585
	Connection Fees	1 917 724	2 010 167
	Other	-	-
	Total public contributions	13 565 562	12 276 261
31.1	<u>Summary of Public contributions</u>	2013	2012
		R	R
	Capital Public contributions, Donated and contributed PPE	9 823 632	4 471 993
	Operating Public contributions	3 741 930	7 804 269
	Total	13 565 562	12 276 261
31.2	<u>District Municipality</u>	2013	2012
		R	R
	Balance unspent at beginning of year	(0)	(0)
	Current year receipts	-	-
	Adjustments	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - transferred to liabilities (see note 13)	(0)	(0)
31.3	<u>Developers Contributions</u>	2013	2012
		R	R
	Balance unspent at beginning of year	-	-
	Current year receipts	-	-
	Adjustments	-	-
	Conditions met - transferred to revenue	-	-
	Conditions still to be met - transferred to liabilities (see note 13)	-	-

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	2013	2012
	R	R
31.4 Public Contributions		
Balance unspent at beginning of year	2 459 294	3 450 129
Current year receipts	11 170 866	8 589 163
Adjustments	(728 968)	355 511
Conditions met - transferred to revenue	(11 647 838)	(9 935 509)
Conditions still to be met - transferred to liabilities (see note 13)	<u>1 253 353</u>	<u>2 459 294</u>
<p>Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable. The above Public Contributions receipts includes an amount of R9,2 million for PetroSA's portion of the payment to approved contractors, consultants and/or other service providers under cover of appropriate invoices.</p>		
	2013	2012
	R	R
31.5 Donated and Contributed Property, Plant and Equipment		
Balance unspent at beginning of year	-	-
Current year receipts	-	330 585
Adjustments	-	-
Conditions met - transferred to revenue	-	(330 585)
Conditions still to be met - transferred to liabilities (see note 13)	<u>-</u>	<u>-</u>
31.6 Public contributions, Donated and Contributed PPE - PER VOTE	R	R
Municipal Manager	136 845	117 446
Corporate Services	43 860	302 784
Financial Services	-	-
Technical Services	9 858 087	7 625 654
Community Services	1 609 046	2 814 505
Electricity Services	-	1 415 872
Development & Planning	-	-
Total Spent	<u>11 647 838</u>	<u>12 276 261</u>
32. EMPLOYEE RELATED COSTS	2013	2012
	R	R
Employee-related costs - Salaries, Wages & Bonuses	113 175 321	105 119 842
Employee-related costs - Contributions for UIF, pensions & medical aids	26 417 421	24 342 775
Contributions to Post Retirement Benefits Provision	18 411 884	11 734 125
Contributions to Long Service Bonus Provision	1 388 263	1 426 962
Contributions to Leave Gratuity Provision	2 290 743	1 165 908
Travel, motor car, accommodation, subsistence & other allowances	11 795 708	12 207 425
Housing benefits & allowances	857 678	908 968
Overtime payments	8 284 765	6 787 982
Executive packages	7 011 556	7 177 553
Less: Employee costs capitalised and to other operating maintenance	(415 192)	(261 692)
Total employee-related costs	<u>189 218 147</u>	<u>170 609 849</u>
REMUNERATION OF KEY MANAGEMENT PERSONNEL:		
Remuneration of the Municipal Manager		
Annual remuneration	1 082 850	1 007 227
Performance bonuses	117 920	185 090
Car allowance	132 000	132 000
Contributions to UIF, Medical & Pension Funds	196 605	182 795
Group Insurance	-	-
Industrial Council	71	49
Total	<u>1 529 446</u>	<u>1 507 161</u>
Remuneration of the Chief Financial Officer		
Annual remuneration	932 749	876 302
Performance bonuses	99 509	162 396
Car allowance	48 000	48 000
Contributions to UIF, Medical & Pension Funds	217 453	151 663
Group Insurance	6 624	6 624
Industrial Council	71	49
Total	<u>1 304 406</u>	<u>1 245 034</u>

Annual Financial Statements for the year ended 30 June 2013

Remuneration of individual executive 30 June 2013	Technical + Electricity Services	Dev planning & Housing	Corporate Services	Community Services
Annual remuneration	860 522	725 389	678 096	746 799
Performance bonuses	96 718	-	79 797	85 674
Acting allowance	-	-	-	-
Car allowance	102 000	-	120 000	108 000
Contributions to UIF, Medical & Pension Funds	188 511	41 467	151 569	174 200
Group Insurance	6 624	-	5 447	6 624
Industrial Council	71	54	71	71
Total	1 254 447	766 909	1 034 980	1 121 368

Remuneration of individual executive 30 June 2012	Technical + Electricity Services	Dev planning & Housing	Corporate Services	Community Services
Annual remuneration	801 041	907 828	628 328	697 026
Performance bonuses	151 810	134 195	125 251	140 420
Acting allowance	-	-	-	-
Car allowance	102 000	-	120 000	108 000
Contributions to UIF, Medical & Pension Funds	174 644	50 661	140 825	124 435
Group Insurance	6 624	-	5 447	6 624
Industrial Council	49	49	49	49
Total	1 236 168	1 092 734	1 019 900	1 076 555

33. REMUNERATION OF COUNCILLORS

	2013 R	2012 R
Executive Mayor	602 270	570 876
Executive Deputy Mayor	485 790	460 468
Speaker	536 311	508 356
Mayoral Committee members	2 139 951	2 239 886
Councillors	3 863 995	3 645 279
Councillors' pension contributions	376 334	283 528
Councillors' medical contributions	69 120	38 880
Travel Cost in Excess of 500km	-	6 621
Total Councillors' remuneration	8 073 770	7 753 895

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers in their offices or at their homes. Ward Committee members are equipped with cell phones for communication purposes.

Certification by Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

34. DEBT IMPAIRMENT COSTS

Contribution to Provision for Debt Impairment:	2013 R	2012 R
- Rates	15 091 483	18 725 706
- Electricity	803 972	1 984 854
- Water	773 293	1 007 342
- Refuse	3 333 032	4 612 572
- Sewerage	1 705 124	2 002 691
- Collection fees	7 191 081	7 455 295
- Housing Installments	492 925	1 142 785
- Housing rentals	-	335 646
- Land sales	233 566	184 522
- Sundry Debtors	-	-
- Long-term receivables	173 021	-
- Other receivables	385 469	-
Bad Debts : Services	-	-
Total debt impairment costs	15 091 483	18 725 706

35. DEPRECIATION AND AMORTISATION EXPENSE

	2013	2012
	R	R
<u>Depreciation:</u>		
Property, Plant and Equipment	41 850 519	43 671 228
<u>Amortisation:</u>		
Intangible Assets	19 097	41 199
Total Depreciation and Amortisation costs	41 869 615	43 712 427

Refer to Notes 42.2 for detail regarding the restatement of previous year balances.

36. FINANCE COSTS

	2013	2012
	R	R
Finance Leases	294 314	909 536
Other Long-term Liabilities	2 557 801	961 029
Current Deposit / Grants	200 622	411 639
Total interest	3 052 737	2 282 204

Refer to Notes 42.1 & 42.4 for detail regarding the restatement of previous year balances.

37. BULK PURCHASES

	2013	2012
	R	R
Electricity	175 016 220	159 226 667
Water	15 979 617	8 139 484
Total bulk purchases	190 995 837	167 366 152

Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers. The municipality purchases electricity in bulk from Eskom and then redistributes it to consumers. The municipality has some of its own water sources, but also purchases water in bulk from the Department of Water Affairs and Forestry.

38. CONTRACTED SERVICES

	2013	2012
	R	R
Account Print	480 578	359 423
AMR System	268 730	251 380
Beautification of CBD	21 245	37 641
Cash Transit	172 981	175 628
Cleansing Services	3 694 144	957 847
Cut of Grass	4 087 426	4 520 168
Gardening Services	28 705	118 173
Info System Maintenance	211 235	175 670
Internal Auditors	1 203 118	826 435
Life Saving	982 913	929 337
Meter Readings	1 060 969	1 036 188
Prepaid System	5 377 887	5 300 522
Refuse Recycling	95 166	87 845
Refuse Removal	3 977 834	3 553 026
Reverse Osmosis Plant	3 344 067	3 679 978
Sanitation Services	1 031 026	765 197
Security Services	1 301 856	810 355
Transport Co.	219 574	180 328
Additional Valuations	409 485	126 348
Washing Linen	51 714	37 537
Concessionary Fees- Indigent	182 606	176 876
Desalination plant	4 533 577	3 305 104
Total Contracted services	32 736 835	27 411 007

39. GRANTS AND SUBSIDIES PAID

Grant in Aid (Assessment Rates)	-	-
Grant in Aid (Services)	3 824 577	2 140 627
Subsidy: Benefit Discount Scheme	274 388	299 705
SPCA	634 996	563 514
Other Donations	30 000	15 000
Total grants & subsidies	4 763 961	3 018 847

Other Donations:

During 2011/12 Other Donations were made to the amount of R30 000, whereas an amount of R15 000 was donated during 2011/12. Of the R30 000 Other Donations, R20 000 was donated to the Piet Julies Action Group and R10 000 to the Mossel Bay Care Centre.

Annual Financial Statements for the year ended 30 June 2013

40. GENERAL EXPENSES	2013 R	2012 R
Audit Fees - External Auditors	3 020 905	2 748 465
Bank Charges	1 828 239	2 070 034
Conferences & Seminars	41 140	75 206
Consultant Fees	2 539 079	1 192 590
Contract Work	4 390 951	5 154 939
Contributions to Alien Vegetation Provision	-	15 224 360
Desalination Plant	9 196 666	2 889 551
Entertainment - Public	122 952	84 826
Fuel & Oil	5 854 107	5 218 814
Hire Charges	75 587	78 239
Housing: Top Structures	18 461 233	20 310 079
Industrial & Tourism - Sect. 21 Co	1 990 622	2 705 832
Insurance	1 931 152	2 366 295
Inventory Items	157 596	191 399
Houses for resale-Written off	-	4 079 009
Lease Charges	2 108 238	1 342 030
Legal Costs	1 128 351	2 299 396
Levy - Bargaining Council	58 887	45 627
Levy - Skills Development (SETA)	1 495 398	1 351 792
Levy - Water : DWAF	278 716	176 198
Levy-Water Catchmt Man:DWAF	666 481	534 861
Licence Fees	323 364	308 714
Materials and Stores	7 818 126	7 546 481
Public Functions	385 357	233 103
Refuse Tip Site - External	2 199 977	2 186 997
Relief / Charitable Expenses	118 845	108 674
Transfer to Equitable Share	27 966 916	25 818 676
Telephones and Communications	1 560 433	1 207 187
Travelling & Subsistence	530 340	466 784
Water Rural Areas	72 499	17 213
Advertising	1 095 088	1 364 288
Postage, Rev Stamps & PO Box	1 339 670	1 249 367
Printing & Stationary	1 288 817	1 261 899
Refuse Bags	1 055 458	1 069 929
Subscriptions	1 685 090	965 350
Other	10 559 166	9 416 372
Less:	(2 206 382)	(853 597)
Stores handling charges	-	-
Vehicle and Equipment Recoveries	(19 642)	(2 875)
Departmental Costs	-	-
Recoverable Expenditure	(2 186 740)	(850 721)
	111 139 062	122 506 982

Refer to Notes 42.5 for detail regarding the restatement of previous year balances.

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable. The above Desalination Plant expenditure amount of R9 196 666 is for PetroSA's portion of the payment to approved contractors, consultants and/or other service providers under cover of appropriate invoices.

41. FAIR VALUE ADJUSTMENTS	2013 R	2012 R
<u>Investment property:</u>		
- Fair Value adjusted downwards	-	464 900 032
- Fair Value adjusted upwards	(3 250 033)	(34 771 595)
Total Fair Value adjustments	(3 250 033)	430 128 437

42. PRIOR YEAR ADJUSTMENTS	2012 R
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42.1 Finance Lease Liability (Refer Note 4 - Finance Lease Liability)

During the year the municipality did a reconciliation between the lease contracts and the lease register and differences found were corrected on the finance lease liability and interest paid previously incorrectly calculated.

Changes to Notes to Annual Financial Statements:

Finance Lease Liability (Note 4)

TOTAL Finance Lease Liability

Computers, Vehicles & Office Equipment

Balance at 30 June 2012 on 2011/12 Financial Statements	2 418 796
Correction of leases still active prior years	(49 714)
Correction of opening balance	(381 958)
Correction of leases amounts previously recognised	(50 213)
Additional correction (Captured versus Journal)	3 252
Correction: Finance Charges (Refer to note 36)	579 334
Restated balance of Finance lease liability as at 30 June 2012	2 519 496

CURRENT PORTION transferred to current

Computers, Vehicles & Office Equipment

Balance at 30 June 2012 on 2011/12 Financial Statements	658 514
Correction of lease liability	339 068
Restated balance of Current portion of Finance lease liability as at 30 June 2012	997 582

The Finance Lease Liability and the Accumulated surplus for 2011/12 are adjusted accordingly.

Annual Financial Statements for the year ended 30 June 2013

42.2 Adjustments on Assets (Refer Note 15 - PPE, Note 17 - Investment Properties and Note 18 - Heritage Assets)

During the year the municipality reviewed the asset register and various reclassifications and adjustments was made to both the Cost and Accumulated Depreciation on PPE as well as Cost and Fair Value Adjustment on Investment Property.

Heritage Assets previously formed part of PPE and Investment Property, that was reclassified.

Changes to Notes to Annual Financial Statements:

COST:

Buildings (Note 18) - Cost

Balance at 30 June 2012 on 2011/12 Financial Statements	130 039 810
Capitalisation of Buildings not previously recognised - opening balance	9 000 900
Restated balance of PPE as at 30 June 2012	<u>139 040 710</u>

PPE - Infrastructure Assets (Note 15) - Cost

Balance at 30 June 2012 on 2011/12 Financial Statements	971 633 528
Reclassification of Infrastructure Assets as Repairs and Maintenance (Refer to Financial Performance)	(49 688)
Correction of capturing of leased assets - 2011/12 year	3 252
Reclassification of Infrastructure Assets as Heritage Assets - opening balance	(2 034 744)
Reclassification of Infrastructure Assets as Heritage Assets	(240 652)
Capitalisation of Infrastructure assets not previously recognised	6 655 000
Correction of original cost of leased assets - Machines - opening balance	52 681
Correction of original cost of leased assets - Machines - 2011/12 year	7 607
Correction of original cost of leased assets - Computers - opening balance	(35 032)
Correction of original cost of leased assets - Computers - 2011/12 year	(57 820)
Correction of original cost of leased assets - Vehicles - opening balance	(67 364)
Correction of Repairs & Maintenance classified as PPE - opening balance	(133 613)
Derecognition of PPE replaced - opening balance	(247 061)
Derecognition of PPE replaced - 2011/12 year	(394 076)
Reversal of PPE assets to be further unbundled - opening balance	(2 190 258)
Reversal of PPE assets to be further unbundled - 2011/12 year	(26 759 435)
PPE assets to be unbundled brought back - opening balance	3 519 694
PPE assets to be unbundled brought back - 2011/12 year	25 429 999
Disposal of PPE - opening balance	(3 856 084)
Disposal of Properties not previously recognised - opening balance	(165 000)
Disposal of Housing subsidy approved Properties - opening balance	(2 656 600)
Reclassification of Investment Properties as PPE - opening balance	188 252 700
Reclassification of PPE as Investment Properties - opening balance	(70 913 055)
Restated balance of PPE as at 30 June 2012	<u>1085 753 979</u>

Investment Properties (Note 17) - Cost

Balance at 30 June 2012 on 2011/12 Financial Statements	283 541 201
Reclassification of Investment Properties as Heritage Assets	(600 200)
Fair Value adjustment on reclassification of PPE as Heritage Assets	(130 000)
Disposal of Properties not previously recognised - opening balance	(3 000 000)
Disposal of Housing subsidy approved Properties - opening balance	(60 000)
Reclassification of Investment Properties as PPE - opening balance	(188 252 700)
Reversal of Fair Value adjustment on reclassification of Investment Properties as PPE - opening balance	106 754 200
Reclassification of PPE as Investment Properties - opening balance	70 913 055
Capitalisation of Investment Properties not previously recognised - opening balance	22 350 000
Fair Value adjustment on reclassification of PPE as Investment Properties - opening balance	36 936 712
Fair Value adjustment on reclassification of PPE as Investment Properties - 2011/12 year	949 000
Restated balance of PPE as at 30 June 2012	<u>329 401 268</u>

Heritage Assets (Note 18) - Cost

Balance at 30 June 2012 on 2011/12 Financial Statements	-
Reclassification of Infrastructure Assets as Heritage Assets	2 355 596
Reclassification of Investment Properties - Cost as Heritage Assets	520 000
Capitalisation of Heritage assets not previously recognised	1 125 000
Reclassification of Investment Properties - Fair Value Adjustment as Heritage Assets	130 000
Restated balance of PPE as at 30 June 2012	<u>4 130 596</u>

ACCUMULATED DEPRECIATION:

2012

PPE - Buildings (Note 15) - Accumulated Depreciation

Balance at 30 June 2012 on 2011/12 Financial Statements	(17 166 202)
Correction of depreciation charges because of zero book values - opening balance	31 597
Reversal of depreciation charges because of zero book values - 2011/12 year	131 723
Correction of depreciation charges because of zero book values - 2011/12 year	(72 478)
Reversal of depreciation on heritage assets - opening balance	227 075
Reversal of depreciation on heritage assets - 2011/12 year	75 976
Capitalisation of Buildings not previously recognised - opening balance	(359 809)
Capitalisation of Buildings not previously recognised - 2011/12 year	(89 952)
Restated balance of PPE as at 30 June 2012	<u>(17 222 071)</u>

Annual Financial Statements for the year ended 30 June 2013

PPE - Infrastructure Assets (Note 15) - Accumulated Depreciation

Balance at 30 June 2012 on 2011/12 Financial Statements	(215 593 166)
Reversal of depreciation on heritage assets - opening balance	227 876
Reversal of depreciation on heritage assets - 2011/12 year	76 213
Correction of depreciation charges on correction of leased assets - Machines - opening balance	93 111
Correction of depreciation charges on correction of leased assets - Machines - 2011/12 year	(142 592)
Correction of depreciation charges on correction of leased assets - Computers - opening balance	137 733
Correction of depreciation charges on correction of leased assets - Computers - 2011/12 year	(103 675)
Correction of depreciation charges on correction of leased assets - Vehicles - opening balance	61 033
Correction of depreciation charges on correction of leased assets - Vehicles - 2011/12 year	(125 225)
Reversal of Depreciation on Repairs & Maintenance classified as PPE - opening balance	10 526
Reversal of Depreciation on Derecognition of PPE replaced - opening balance	153 525
Correction of Depreciation on replaced PPE assets - opening balance	8 630
Reversal of Depreciation on Derecognition of PPE replaced - 2011/12 year	228 387
Reversal of Depreciation on PPE assets to be further unbundled - opening balance	5 889
Reversal of Depreciation on PPE assets to be further unbundled - 2011/12 year	740 504
Depreciation on PPE assets to be unbundled brought back - opening balance	(138 774)
Depreciation on PPE assets to be unbundled brought back - 2011/12 year	(339 652)
Reversal of Depreciation on Disposal of PPE - opening balance	1 779 212
Reversal of Depreciation on Disposal of PPE - 2011/12 year	210 635
Depreciation on reclassification of Investment Properties as PPE - opening balance	(3 704 855)
Depreciation on reclassification of Investment Properties as PPE - 2011/12 year	(4 631 069)
Correction of depreciation on reclassification of Investment Properties as PPE - 2011/12 year	3 704 855
Reversal of Depreciation on reclassification of PPE as Investment Properties - opening balance	314 272
Reversal of Depreciation on reclassification of PPE as Investment Properties - 2011/12 year	105 151
Reversal of Depreciation wrongly depreciated asset - opening balance	3 837
Reversal of Depreciation wrongly depreciated asset - 2011/12 year	21 350
Restated balance of PPE as at 30 June 2012	<u>(216 896 269)</u>

PPE - Community Assets (Note 15) - Accumulated Depreciation

Balance at 30 June 2012 on 2011/12 Financial Statements	(23 122 934)
Correction of depreciation charges because of zero book values - opening balance	1 237
Reversal of depreciation charges because of zero book values - 2011/12 year	403
Correction of depreciation charges because of zero book values - 2011/12 year	(702)
Correction of depreciation charges - opening balance	(15 630)
Correction of depreciation charges - 2011/12 year	(3 908)
Restated balance of PPE as at 30 June 2012	<u>(23 141 534)</u>

PPE - Other Assets (Note 15) - Accumulated Depreciation

Balance at 30 June 2012 on 2011/12 Financial Statements	(30 264 281)
Correction of opening balance of accumulated depreciation	1 120
Correction of depreciation charges because of zero book values - opening balance	2 063
Reversal of depreciation charges because of zero book values - 2011/12 year	57 645
Correction of depreciation charges because of zero book values - 2011/12 year	(28 903)
Correction of depreciation charges - opening balance	(9 994)
Correction of depreciation charges - 2011/12 year	(2 498)
Correction of Depreciation charges because of zero book values - Leased Assets - opening balance	1 596
Reversal of depreciation charges because of zero book values - Leased Assets - 2011/12 year	297
Correction of Depreciation charges because of zero book values - Leased Assets - 2011/12 year	(843)
Restated balance of PPE as at 30 June 2012	<u>(30 243 798)</u>

FAIR VALUE ADJUSTMENT

2012

Investment Property (Note 17) - Fair Value Adjustment

Balance at 30 June 2012 on 2011/12 Financial Statements	(430 947 437)
Fair Value adjustment on Reclassification of Investment Properties as Heritage Assets (Refer to note 41)	(130 000)
Fair Value adjustment on reclassification of PPE as Investment Properties - 2011/12 year (Refer to note 41)	949 000
Restated balance of PPE as at 30 June 2012	<u>(430 128 437)</u>

The Property, Plant and Equipment, Investment Property, Heritage Assets and the Accumulated surplus for 2011/12 are adjusted accordingly.

42.3 Maintenance materials (Refer Note 21 - Inventory)

During the year maintenance material located at stores was taken up as inventory.

Changes to Notes to Annual Financial Statements:

Inventory - Maintenance materials - at cost (Note 21)

Balance at 30 June 2012 on 2011/12 Financial Statements	10 510 841
Correction to Inventory from Repairs and Maintenance (Refer to Financial Performance)	76 151
Restated balance of Inventory as at 30 June 2012	<u>10 586 992</u>

The Inventory and the Accumulated surplus for 2011/12 are adjusted accordingly.

Annual Financial Statements for the year ended 30 June 2013

42.4 Interest on Unspent Conditional Grants

Interest accrued on Unspent Grant Funds invested is transferred to the grant in accordance with a request from the provincial department.

Changes to Notes to Annual Financial Statements:

Unspent Conditional Grants (Note 13)

13.1 Conditional grants from spheres of government

Provincial Grants - Balance at 30 June 2012 on 2011/12 Financial Statements

16 089 374

Correction: Finance Charges (Refer to note 36)

83 489

Restated balance of Overtime payments under Employee Related Costs as at 30 June 2012

16 172 863

The Conditional Grants and the Accumulated surplus for 2011/12 is adjusted accordingly.

42.5 Operating Leases (Note 26)

The correction is done on operating leases due to timing in escalation implementation on the contract.

Changes to Notes to Annual Financial Statements:

Operating Leases (Note 16)

Total Operating Lease Liabilities - as lessee

Total Operating Lease Liabilities - as lessee at 30 June 2012 on 2011/12 Financial Statements

114 856

Opening balance correction

(13 738)

Correction of movement (Refer to Lease Charges in note 40)

21 701

Restated balance of Operating lease liabilities as at 30 June 2012

122 820

The Operating leases, Lease Charges and the Accumulated surplus for 2011/12 is adjusted accordingly.

42.6 Current Employee benefits (Note 11), Payables from Exchange transactions (Refer Note 12)

Reversal of unused amount of accrual created for Performance bonuses which was not paid out in the 2011/12 financial year.

Changes to Notes to Annual Financial Statements:

Current Employee benefits (Note 11)

Balance of Performance Bonuses accrual at 30 June 2012 on 2011/12 Financial Statements

990 295

Correction of Performance Bonuses accrual (Refer to note 32)

(5 749)

Restated balance of Current Employee benefits as at 30 June 2012

984 545

The Current Employee Benefits, Employee related cost and the Accumulated surplus for 2011/12 is adjusted accordingly.

42.7 Service charges (Note 28) and Receivables from Non-exchange transactions (Refer Note 23)

Accrued income for Water and Electricity consumption has been recorded in the financial statements retrospectively.

Changes to Notes to Annual Financial Statements:

Service charges (Note 28)

Balance at 30 June 2012 on 2011/12 Financial Statements

402 588 187

Water consumption accrued

919 817

Electricity consumption accrued

6 687 849

Restated balance of Service charges as at 30 June 2012

410 195 853

Other under Receivables from Non-exchange transactions (Note 23)

Balance at 30 June 2012 on 2011/12 Financial Statements

3 631 791

Water consumption accrued

2 233 514

Electricity consumption accrued

11 041 515

Restated balance of Other under Receivables from Non-exchange transactions as at 30 June 2012

16 906 819

The Service Charges, Receivables from Non-Exchange transactions and the Accumulated surplus for 2011/12 is adjusted accordingly.

Annual Financial Statements for the year ended 30 June 2013

42.8 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL POSITION:

During the year various prior year adjustments was made to the Statement of Financial Position. The following is a summary of all the movements in the prior year balances:

Changes to Net assets and Liabilities:

Balance as at 30 June 2012 (as stated in the 2011/12 Annual Financial Statements):

Net assets:

Accumulated surplus / (deficit)

Non-Current Liabilities:

Finance Lease Liability (Refer to note 42.1)

Current Liabilities:

Unspent Conditional Grants (Refer to note 42.4)

Operating Leases (Refer to note 42.5)

Current Employee benefits (Refer to note 42.6)

Restated balance of Net assets and Liabilities as at 30 June 2012

Changes to Assets:

Balance as at 30 June 2012 (as stated in the 2011/12 Annual Financial Statements):

Non-current Assets:

Property, plant and equipment - Buildings (Refer note 42.2)

Property, plant and equipment - Infrastructure Assets (Refer note 42.2)

Property, plant and equipment - Community Assets (Refer note 42.2)

Property, plant and equipment - Other Assets (Refer note 42.2)

Investment properties (Refer note 42.2)

Heritage Assets (Refer note 42.2)

Current Assets:

Inventory (Refer note 42.3)

Other receivables from non-exchange

Restated balance of Assets as at 30 June 2012

42.9 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL PERFORMANCE:

During the year various prior year adjustments was made to the Statement of Financial Performance. The following is a summary of all the movements in the prior year balances:

Surplus for the year (as stated in 2011/12 Annual Financial Statements):

Revenue adjustments:

Service Charges (Refer note 42.7)

Expenditure adjustments:

Finance Cost (Refer note 42.1 & 42.4)

Employee Related Cost (Refer note 42.5)

Depreciation correction (Refer note 42.2)

General Expenses (Refer note 42.6)

Repairs and Maintenance (Refer note Statement of Financial Performance)

Loss on de-recognition of Property, Plant & Equipment (Refer to Statement of Financial Performance)

Fair Value Adjustments (Refer note 42.2)

Restated Surplus for the year

42.10 SUMMARY OF CHANGES TO STATEMENT OF CHANGES IN NET ASSETS:

During the year various prior year adjustments was made to the Statement of Changes in Net Assets. The following is a summary of all the movements in the prior year balances for the Accumulated Surplus, Capital Replacement Reserve and the Housing Development Fund:

Changes to Accumulated Surplus:

Balance as at 30 June 2012 (as stated in the 2011/12 Annual Financial Statements):

Finance Lease Liability (Refer to note 42.1)

Unspent Conditional Grants (Refer to note 42.4)

Operating Leases (Refer to note 42.5)

Current Employee benefits (Refer to note 42.6)

Property, plant and equipment - Buildings (Refer note 42.2)

Property, plant and equipment - Infrastructure Assets (Refer note 42.2)

Property, plant and equipment - Community Assets (Refer note 42.2)

Property, plant and equipment - Other Assets (Refer note 42.2)

Investment properties (Refer note 42.2)

Heritage Assets (Refer note 42.2)

Inventory (Refer note 42.3)

Other receivables from non-exchange

Restated balance of Accumulated Surplus as at 30 June 2012

Changes to Capital Replacement Reserve:

Balance as at 30 June 2012 (as stated in the 2011/12 Annual Financial Statements):

Restated balance of Capital Replacement Reserve as at 30 June 2012

Changes to Housing Development Fund:

Balance as at 30 June 2012 (as stated in the 2011/12 Annual Financial Statements):

Restated balance of Housing Development Fund as at 30 June 2012

2012

R

1768 656 846

184 919 702

184 919 702

100 700

100 700

85 703

83 489

7 963

(5 749)

1953 762 951

1768 656 846

171 754 925

8 945 031

112 817 348

(18 600)

20 483

45 860 067

4 130 596

13 351 180

76 151

13 275 029

1953 762 951

(423, 360,514)

7 607 666

7 607 666

417 501

662 823

21 701

508 242

(5 749)

(116 204)

165 688

(819 000)

(416 170 349)

1370 862 707

(100 700)

(83 489)

(7 963)

5 749

8 945 031

112 817 348

(18 600)

20 483

45 860 067

4 130 596

76 151

13 275 029

1555 782 408

2012

R

52 870 044

52 870 044

2 237 678

2 237 678

43. CHANGE IN ACCOUNTING POLICY

No adjustments due to changes in the accounting policy occurred during the current financial year.

44. CHANGE IN ACCOUNTING ESTIMATES

2012

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44.1 Changes in Useful lives (Refer Note 15 - PPE)

Changes in useful lives occurred during the financial year under review. The impact of the change in useful lives were as follow:

Depreciation decreased as follows:

PPE

20 400 508

20 400 508

45. RESTATEMENT OF COMPARATIVE INFORMATION

2012

R

45.1 Current portion of Local registered stock loans (Refer Note 5)

The current portion transferred to current liabilities of Local registered stock loans of the previous year included interest charges. The effect of the restatement is summarised below:

Changes to Notes to Annual Financial Statements:

Long-term Liabilities (Note 5)

Balance at 30 June 2012 on 2011/12 Financial Statements of Current portion of Local registered stock loans

124 810

Interest charges included

(88 800)

Restated balance of Long-term Receivables as at 30 June 2012

36 010

The balances of Long-term Liabilities in the Statement of Financial Position has been adjusted accordingly.

45.2 Current Employee benefits (Note 11), Payables from Exchange transactions (Refer Note 12) & Provisions (Note 10)

Accruals on Employee benefits (Performance bonuses, employee bonuses, Staff leave, Pension fund shortages and Employee overtime/Standby) was moved from the Payables and Provisions note to the note on Current Employee benefits in accordance with GRAP 25.

Changes to Notes to Annual Financial Statements:

Current Employee benefits (Note 11)

Balance at 30 June 2012 on 2011/12 Financial Statements

4 518 076

Staff Leave accrual

10 594 338

Performance Bonuses accrual

984 545

Employee Bonuses accrual

3 800 032

Employee Overtime / Standby allowances accrual

629 902

Provision for Pension fund shortages

-

Restated balance of Current Employee benefits as at 30 June 2012

20 526 893

Payables from Exchange transactions (Note 12)

Balance at 30 June 2012 on 2011/12 Financial Statements

82 565 976

Staff Leave accrual

(10 594 338)

Performance Bonuses accrual

(984 545)

Employee Bonuses accrual

(3 800 032)

Employee Overtime / Standby allowances accrual

(629 902)

Restated balance of Payables from Exchange transactions as at 30 June 2012

66 557 159

Provisions (Note 10)

Balance at 30 June 2012 on 2011/12 Financial Statements

1 845 860

Provision for Pension fund shortages

-

Restated balance of Provisions as at 30 June 2012

1 845 860

The balances of Current Employee Benefits, Payables from Exchange transactions, Provisions in the Statement of Financial Position has been adjusted accordingly.

Annual Financial Statements for the year ended 30 June 2013

46. COMPARISON WITH BUDGET

	2012 R
Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:	
Net surplus/deficit per the statement of financial performance	72 954 930
Net surplus/deficit as per approved budget	42 550 997
Variance to be explained (refer to Statement of Comparison of Budget and Actual amounts for detail)	30 403 933

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

Expenditure per VOTE: OPERATIONAL

	Budget:	Actuals:	Variance:
Municipal Manager & Executive Council	49 677 233	49 571 174	106 059
Corporate Services	20 616 680	20 100 013	516 667
Financial Services	27 889 920	24 813 185	3 076 735
Technical Services	184 926 500	172 676 610	12 249 890
Community Services	127 006 121	117 884 825	9 121 296
Electricity Services	227 783 905	217 811 136	9 972 769
Development and Planning	52 163 279	39 935 241	12 228 038
	690 063 638	642 792 183	47 271 455

Detail of Material Variances:

The underspending of R3 million under Financial Services is mainly due to savings and a lesser amount provided for bad debts on property rates.

The underspending under Technical, Community and Electricity Services is due to savings on depreciation charges, which was the effect of a review of useful lives. An additional contribution to the underspending of Electricity Services is a saving on bulk purchases.

The underspending under Development and Planning is mainly due to housing top structure expenditure not realised at year end. These funds were rolled over to the 2013/14 financial year.

Expenditure per VOTE: CAPITAL

	Budget:	Actuals:	Variance:
Municipal Manager & Executive Council	4 301 935	366 242	3 935 693
Corporate Services	7 293 516	7 425 820	(132 304)
Financial Services	1 564 692	1 518 245	46 447
Technical Services	50 031 059	47 481 098	2 549 961
Community Services	18 667 835	17 906 770	761 065
Electricity Services	20 952 635	20 208 110	744 525
Development and Planning	27 341 375	22 295 908	5 045 467
	130 153 047	117 202 193	12 950 854

Detail of Material Variances:

The underspending of R3,9 million under Executive Council & Municipal Manager is due to the funds that did not realise for the project for the Shelter for the Homeless. The funds was received in the 2013/14 financial year and the project will be taken up in the 13/14 budget.

The overspending of R132 304 under Corporate Services is due to the overspending on the Thusong centre project. R2 million was received from the Provincial Department which is funds budgeted for in the 2013/14 financial year. The shifting of the funds from the 13/14 year to the 12/13 year was approved by the Mayor in accordance with Section 31 of the MFMA.

The underspending of R2,5 million is mainly due to savings on projects.

The underspending of R5 million under Development and Planning was mainly due to Housing Projects that was not finalised at year-end. The Municipality has applied for the roll-over of these funds to the 2013/14 financial year.

- It must be noted that all the above entries are non-cash transaction.

47. CASH GENERATED BY OPERATIONS

	2013 R	2012 R
Surplus / (Deficit) for the year	72 954 930	(416 170 349)
<u>Adjustment for:</u>		
Depreciation and Amortisation	41 869 615	43 712 427
Depreciation - Previous year adjustment		
Gain and loss on derecognition of property, plant and equipment	809 388	(3 497 830)
Fair Value adjustment	(3 250 033)	430 128 437
Contributions to provisions (non-current)	10 540 647	19 873 461
Contributions to provisions (current)	3 579 493	1 886 004
Actuarial loss	1 480 973	38 616 607
Actuarial gains	(5 260 589)	-
Contributions to bad debt provision	15 023 637	18 463 215
Bad Debts written off	(19 192 384)	(22 303 353)
Investment Income	(13 041 666)	(12 848 103)
Interest on Unamortised discounts	-	-
Operating Lease Income	(430)	(16 288)
Operating Lease Expenses	407 885	85 566
Finance costs	3 052 737	2 282 204
Operating surplus before working capital changes:	108 974 204	100 211 998

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	2013	2012
(Increase) / Decrease in inventories	2 356 686	3 711 886
(Increase) / Decrease in receivables from exchange transactions	5 557 286	(1 812 629)
(Increase) / Decrease in receivables from non-exchange transactions	(594 509)	4 505 050
(Decrease) / Increase in unspent conditional grants & receipts	(11 585 018)	(4 859 618)
Increase / (Decrease) in VAT payable/receivable	(1 923 555)	3 217 843
Increase / (Decrease) in Payables from exchange transactions	14 598 587	(41 041 545)

Cash generated by operations	117 385 694	63 934 998
-------------------------------------	--------------------	-------------------

48. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2013	2012
	R	R
Finance lease liability (see note 4)	2 499 614	2 519 496
Other Long-term liabilities (see note 5)	28 573 426	30 583 677
Used to finance PPE - at cost	-	-
Sub-total	31 073 041	33 103 173

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 25).

49. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

49.1 Unauthorised expenditure

	2013	2012
	R	R
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	132 304	464 387 699
Approved by council or condoned	-	-
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	132 304	464 387 699

During the year the municipality's total expenditure was more than its budget.

The overspending of R132 304 under Corporate Services is due to the overspending on the Thusong centre project. R2 million was received from the Provincial Department which is funds budgeted for in the 2013/14 financial year. The shifting of the funds from the 13/14 year to the 12/13 year was approved by the Mayor in accordance with Section 31 of the MFMA.

49.2 Irregular expenditure

	2013	2012
	R	R
Reconciliation of irregular expenditure		
Opening balance	-	-
Irregular expenditure current year	25 000	757 308
Condoned or written off by Council	-	(747 703)
Recovered	(25 000)	(9 605)
To be recovered - contingent asset	-	-
Irregular expenditure awaiting condonement	-	-

2013

Incident	Disciplinary steps/criminal proceedings
Cash theft	Employee resigned - SAPS case number MAS no. 67/7/2012

2012

Incident	Disciplinary steps/criminal proceedings
Tender irregularities - R9 605 provisionally recovered	In process to open criminal proceedings
Tender not advertised for minimum period	Deviation approved in terms of SCM policy

49.3 Fruitless & wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

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50. ADDITIONAL DISCLOSURES i.t.o THE MFMA		2013 R	2012 R
50.1 Contributions to SALGA			
Opening balance		-	-
Council subscriptions		1 504 676	848 008
Amount paid - current year		(1 504 676)	(848 008)
Amount paid - previous years		-	-
Balance unpaid (included in Payables from exchange transactions)		-	-
50.2 Audit fees			
External Audit Fees			
Opening balance		-	-
Current year audit fee		3 020 905	2 748 465
Amount paid - current year		(3 020 905)	(2 748 465)
Amount paid - previous years		-	-
Balance recoverable (included in Payables from exchange transactions)		-	-
Internal Audit Fees			
Opening balance		-	-
Current year audit fee		1 203 118	826 435
Amount paid - current year		(1 203 118)	(826 435)
Amount paid - previous years		-	-
Balance unpaid (included in Payables from exchange transactions)		-	-
50.3 VAT			
Vat payable / (receivable)		2 959 404	1 035 849
All VAT returns have been submitted by the due date throughout the year.			
50.4 PAYE and UIF			
Opening balance		-	-
Current year payroll deductions		21 066 219	20 416 550
Amount paid - current year		(21 066 219)	(20 416 550)
Amount paid - previous years		-	-
Balance recoverable (included in Payables from exchange transactions)		-	-
50.5 Pension, Provident and medical aid contributions, Group insurance			
Opening balance		-	-
Current year payroll deductions and council contributions		43 515 020	39 793 830
Amount paid - current year		(43 515 020)	(39 793 830)
Amount paid - previous years		-	-
Balance unpaid (included in Payables from exchange transactions)		(0)	-
50.6 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding as at 30 June for more than 90 days:			
30 June 2013	Total	Outstanding less than 90 days	Outstanding more than 90 days
R Skomingo	435	176	259
MM van Wyk	129	129	-
Total Councillor Arrear Consumer Accounts	435	176	259
30 June 2012			
R Skomingo	298	-	298
Total Councillor Arrear Consumer Accounts	298	-	298
During the year the following councillors had arrear accounts outstanding for more than 90 days:			
	Month	Highest Amount Outstanding	Ageing
1 July 2012 to 30 June 2013		R	
R Skomingo	July 2012 to June 2013	259	90+ days
M Boom	October 2012	2	90+ days
1 July 2011 to 30 June 2012			
R Skomingo	July 2011 to June 2012	298	90+ days
50.7 Non-compliance with Chapter 11 of the MFMA			
The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:			

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CLOSED QUOTATIONS / TENDERS:

MONTH	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000	Above R200 000
July 2012	218 381	153 442	155 276		
Aug 2012	144 443	183 931	264 042		288 244
Sep 2012	114 788	319 994	52 738	115 909	343 000
Oct 2012	181 672	263 990	295 259		
Nov 2012	226 074	343 411	126 513		
Dec 2012	72 678	122 293	267 584		221 098
Jan 2013	218 673	53 189	115 475	214 847	1 136 032
Feb 2013	250 609	210 958	264 676		273 602
Mar 2013	231 515	220 294	411 092		1 253 999
Apr 2013	161 011	212 164	373 225	104 294	1 490 000
May 2013	268 714	298 902	166 004		1 285 375
Jun 2013	217 248	224 641			322 471
Grand Total	2 305 809	2 607 209	2 491 883	435 050	6 613 820

The above-mentioned deviations from the Supply Chain Management processes has been condoned in terms of the approved Supply Chain Management Policy.

50.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS

	2013 R	2012 R
Levy Department of Water Affairs and Forestry : Water	278 716	176 198
Levy Department of Water Affairs and Forestry : Water Catchment Management	666 481	534 861
Skills Development Levy	1 495 398	1 351 792
Levy Bargaining Council	58 887	45 627

50.9 MATERIAL LOSSES

	2013 R	2012 R
<u>Electricity distribution losses</u>		
- Units purchased (kWh)	280 522 409	289 287 923
- Units lost during distribution (kWh)	14 803 638	17 234 906
- Percentage lost during distribution	5.28%	5.96%

These losses are due to Technical losses on the distribution system (transformers, cables, overhead lines), Faulty meters, Theft and Vandalism.

<u>Water distribution losses</u>		
- Mega litres purified	7 306	6 808
- Mega litres lost during distribution	1 293	621
- Percentage lost during distribution	17.69%	9.12%

These losses are due to Defective meters, Losses on water network (breakage in pipelines and pumps, leaking valves, etc.), Evaporation, Theft, Vandalism and Damages due to blind excavations.

51. CONTRACTUAL COMMITMENTS

Commitments in respect of capital expenditure:

	2013 R	2012 R
-approved and contracted for	19 195 259	19 423 441
Infrastructure	19 146 537	10 280 042
Community	48 722	6 623 971
Other	-	2 519 428
-approved, but not yet contracted	33 588 914	52 119 512
Infrastructure	28 653 626	20 925 021
Community	4 531 579	50 000
Other	403 709	31 144 491
TOTAL	52 784 173	71 542 953

This expenditure will be financed from:

-Capital replacement reserve	22 295 000	32 974 000
-Government grants	27 454 373	37 839 620
-Public contributions / donations	3 034 800	729 333
	52 784 173	71 542 953

52. RELATED PARTIES

Parties are considered to be related if:

- One party has the ability to control the other party or
- Exercise significant influence over the other party in making financial and operating decisions.

52.1 Related Party Transactions

Year ended 30 June 2013

	Rates and service charges R	Outstanding balances R
Councillors	242 456	435
Municipal Manager and Section 57 Personnel	75 007	-
Municipal Entities	-	-

Year ended 30 June 2012

Councillors	198 011	298
Municipal Manager and Section 57 Personnel	70 105	-
Municipal Entities	-	-

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

52.2 Joint Venture - Jointly controlled asset

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Title and ownership of the Desalination facility shall vest in the Municipality and PetroSA proportional to their respective funding contributions.

Refer to notes 15, 31.4 and 40 for more detail on these transactions.

52.3 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 19 to the Annual Financial Statements.

52.4 Compensation of key management personnel

The compensation of key management personnel is set out in note 32.

52.5 Other related party transactions

No contracts were awarded to key management personnel/councillors or their close family members during the year under review.

The following are awards above R2 000 made to close family members of anybody in the service of the state.

QUOTATIONS:

QUOTATION	AWARDED TO	TOTAL AMOUNT	RELATION
Hire of machinery	Marracon (Pty) Ltd	97,470	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality
SW Channel outlet at GBR Yard	LNJ Konstruksie BK	7,080	The owner of LNJ Konstruksie BK is the son of the Executive Mayor of Mossel Bay Municipality
Translation Services	Cheslin Jantjies	12,660	The mother of Mr Jantjies (the owner) is an employee at Mossel Bay Municipality (M Pick)
Catering	Frileine Groenewald	12,065	The daughter of Ms Groenewald (the owner) is an employee at Mossel Bay Municipality
Emergency replacement of sewer lines	A2 Loodgieters	30,994	The wife of Mr A Nel (the owner) is employed by the Department of Correctional Services
Supply of Printer cartridges	Global Ink	312,954	The owner of Global Ink is the son of Hettie Muller, an employee at Mossel Bay Municipality
Deforestation Services	Rika's Cleaning Services	164,067	The husband of the owner is a general worker at Mossel Bay Municipality

TENDERS:

TENDER	DATE	AWARDED TO	AMOUNT	RELATION
T 73/2012	15/10/2012	Marracon (Pty) Ltd	1,183,959	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality
T 70/2012	22/10/2012	Marracon (Pty) Ltd	2,194,386	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality
T 82/2012	4/12/2012	Marracon (Pty) Ltd	2,499,767	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality
T 55/2012	9/10/2012	Abathathu Valuers CC	Various Rates	Gert Fourie a valuer at Mossel Bay Municipality is a cousin to one of the owners of Abathathu Valuers

Alderlady M Ferreira (Executive Mayor) do not have any shareholding or interest in Marracon (Pty) Ltd as per the above awards.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

53. FINANCIAL RISK MANAGEMENT

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Description of type of financial instrument	2013 R	2012 R
Long term receivables	2 324 421	2 777 639
Receivables from Exchange transactions	51 885 410	57 442 696
Other Receivables from Non-Exchange transactions	34 541 148	34 500 112
Cash and Cash Equivalents	208 299 502	197 474 049
Maximum credit and interest rate risk exposure	297 050 480	292 194 496

54. FINANCIAL INSTRUMENTS

In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:

SUMMARY OF FINANCIAL ASSETS		2013	2012
Short-term Investment Deposits:		R	R
Short-term Investment Deposits	At amortised cost	205 000 000	170 000 000
Bank Balances and Cash:			
Bank Balances	At amortised cost	3 280 542	27 455 389
Petty cash and advances	At amortised cost	18 960	18 660
Long-term Receivables:			
Study Loans	At amortised cost	80 276	133 879
Land Sales Debtors	At amortised cost	24 110	27 533
Public Assistance Loans	At amortised cost	178 613	273 387
Housing Selling Scheme Loans	At amortised cost	2 041 422	2 342 840
Receivables from Exchange transactions:			
Service debtors	At amortised cost	30 578 447	32 209 702
Debtback Collections	At amortised cost	5 469	1 869
Land Sales	At amortised cost	1 426	2 547
Housing Instalments	At amortised cost	533 197	499 884
Housing rentals	At amortised cost	163 495	180 536
Sundry Debtors	At amortised cost	1 721 242	558 336
Other Receivables from Non-Exchange transactions:			
Rates	At amortised cost	6 207 862	6 197 092
Accrued Income	At amortised cost	20 884 844	16 906 819
Government subsidies	At amortised cost	5 960 000	5 960 000
Other	At amortised cost	1 441 587	5 436 201
Total Financial Assets		278 121 492	268 204 674
SUMMARY OF FINANCIAL LIABILITIES			
Long term liabilities:			
Local registered stock loans	At amortised cost	564 176	547 667
Long term loan		26 000 000	28 000 000
Annuity loans	At amortised cost	-	-
Lease liability:			
Finance lease liability	At amortised cost	1 457 093	1 521 914
Payables from exchange transactions:			
Trade and Other Payables	At amortised cost	70 965 869	56 167 231
Unspent conditional grants and receipts:			
Unspent conditional grants and receipts	At amortised cost	7 625 972	19 210 990
Cash and Cash Equivalents:			
Bank Overdraft	At amortised cost	-	-
Current portion of long term liabilities:			
Local registered stock loans	At amortised cost	9 250	36 010
Long term loan		2 000 000	2 000 000
Annuity loans	At amortised cost	-	-
Current portion of Lease liability:			
Finance lease liability	At amortised cost	1 042 521	997 582
Total Financial Liabilities		109 664 882	108 481 394

The following methods and assumptions are used to determine the fair value / amortised cost of each class of financial instrument:

Cash and Cash Equivalents

The carrying amount approximates the fair value due to the relatively short-term nature of these financial assets.

Trade and Other receivables / payables

The carrying amount of trade and other receivables (net of provision for debt impairment) / payables approximates fair value due to the relatively short-term nature of these assets / liabilities.

Long-term Receivables / payables

Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

Increase in interest rates

The estimated increase in basis points

Financial Assets
Financial Liabilities
Net effect on surplus (Financial Assets minus Financial Liabilities)

	2013		2012
		1%	1%
	R		R
	2 781 215		2 682 047
	<u>1 096 649</u>		<u>1 084 814</u>
	<u>1 684 566</u>		<u>1 597 233</u>

55. CONTINGENT LIABILITIES / ASSETS

55.1 Contractual disputes

Below is a list of possible liability claims where the outcome was unknown at 30 June 2013 with the maximum unforeseen liability for the Municipality:

- Allandale and others v Mossel Bay Municipality: This is a claim for flood damages to the amount of R16 516 054.
- Stonetrade Trust v Mossel Bay Municipality: This is a claim with regards to Mid-income housing to the amount of R64 220 976.
- Belstow v Mossel Bay Municipality: This is a claim with regards to the cancellation of contract for Traffic cameras to the amount of R6 679 588.
- SALA Pension Fund v Various municipalities: This is a claim to the amount of R307 349

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is a general 2% increase in remuneration as from October 2009, that is estimated to be an amount of R5 158 337.

55.2 Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R58 485, and council has a right to recovery.

55.3 Contingent Assets

The Municipality is currently in a dispute with Eden District Municipality regarding ownership of Erven 264 and 271, Reebok. If Mossel Bay Municipality succeeds in the dispute it will lead to the properties being added to their asset register.

56. EVENTS AFTER THE REPORTING DATE

To the best of knowledge there is no events after the reporting date to be mentioned.

Note 57: Implication of standards approved but not yet effective:

Std. no.	Standard title	Standard requirements	Earlier implementation Y/N	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 18	Segment reporting	Entire standard	N	<p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in GRAP 18 will also need to be disclosed in the AFS.</p> <p>Note should be taken of the information disclosed as per Appendix B, C, D and E.</p>
GRAP 105	Transfers of Functions Between Entities under Common Control	Entire Standard	N	<p>Not applicable to Mossel Bay Municipality at this stage.</p>

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GRAP 106	Transfers of Functions Between Entities Not under Common Control	Entire Standard	N	Not applicable to Mossel Bay Municipality at this stage.
GRAP 107	Mergers	Entire Standard	N	Not applicable to Mossel Bay Municipality at this stage.

APPENDICES

Appendix A : Schedule of External Loans

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013										
External loans	Institution	Loan number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed / written off during the period	Unamortised discount on loans	Balance at 30 June 2010	Carrying value of PPE	Other costs in accordance with the MFMA
STOCK LOANS				R	R	R		R	R	R
Stock loan @ 15.00%	Hartenbos Tennisklub	1/97	2012/12/31	1 629		23 700	22 071	(0)	-	-
Stock loan @ 15.00%	KBR Tennisklub	2/97	2012/12/31	846		12 310	11 464	0	-	-
Stock loan @ 15.00%	Vista Rolbalklub	1/99	2013/12/31	1 673			(1 053)	621	-	-
Stock loan @ 15.00%	Hartenbos Bowling club	2/99	2015/12/31	92 500				92 500	-	-
Stock loan @ 15.00%	St Blaze Moel Vlieers	2/2000/01	2015/11/01	13 538				13 538	-	-
Stock loan @ 15.00%	Hartenbos Bowling Club	1/2000/01	2015/07/20	92 308				92 308	-	-
Stock loan @ 15.00%	Mosselbaai Tennisklub	4/2000/01	2016/03/01	13 847				13 847	-	-
Stock loan @ 15.00%	Mosselbaai Aero club	1/2001/02	2016/10/01	178 462				178 462	-	-
Stock loan @ 15.00%	Mosselbaai Harriers	2/2001/02	2016/10/01	36 924				36 924	-	-
Stock loan @ 15.00%	Mosselbaai Bowling club	1/2002/03	2018/03/07	61 539				61 539	-	-
Stock loan @ 12.00%	Boggomsbaai Golf club	2/2003/04	2018/10/31	30 714				30 714	-	-
Stock loan @ 12.00%	Hartenbos Tennisklub	1/2003/04	2018/09/18	59 697			(6 723)	52 973	-	-
Total long-term loans				583 677	-	36 010	25 759	573 426	-	-
ANNUITY LOANS										
Eden District Municipality @ 0.00%		-	2012/02/28	-				-	-	-
Total annuity loans				-	-	-	-	-	-	-
LONG-TERM LOANS										
DBSA loan R30m	Development Bank of South Africa	1/2012/02	2027/06/30	30 000 000	-	2 000 000		28 000 000	-	-
Total annuity loans				30 000 000	-	2 000 000	-	28 000 000	-	-
TOTAL EXTERNAL LOANS				30 583 677	-	2 036 010	25 759	28 573 426	-	-

Appendix B : Segmental analysis of Statement of Financial Performance (Mun Dept classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013						
MUNICIPAL DEPARTMENT CLASSIFICATION						
2012	2012	2012		2013	2013	2013
Actual income	Actual expenditure	Surplus/ (deficit)	SEGMENT	Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
63 513 186	545 902 734	(482 389 549)	Municipal Manager & Council	33 978 549	49 833 388	(15 854 839)
1 359 428	18 454 748	(17 095 320)	Manager Corporate Services	1 095 492	17 613 384	(16 517 892)
4 319 106	3 874 130	444 976	Socio Economic Plan and Dev	8 069 976	5 574 891	2 495 085
4 731 645	16 866 168	(12 134 523)	Town planning & Building control	4 559 893	14 090 427	(9 530 533)
925 752	5 488 583	(4 562 830)	Libraries	9 136 897	5 992 618	3 144 278
78 198 797	34 381 920	43 816 877	Manager Financial Services	84 503 837	35 059 095	49 444 742
(769 099)	4 577 729	(5 346 828)	Manager Technical Services	290	4 969 363	(4 969 073)
278 248 969	195 152 452	83 096 517	Electricity	284 351 030	207 829 589	76 521 441
18 487 993	30 864 881	(12 376 888)	Streets and Storm water	13 132 784	35 419 405	(22 286 621)
59 626 992	38 196 920	21 430 072	Sewerage	59 196 463	39 366 119	19 830 344
95 651 422	72 215 744	23 435 678	Water	104 069 489	92 885 049	11 184 440
(549 697)	5 122 706	(5 672 403)	Manager Community Services	(722 130)	5 227 038	(5 949 168)
5 760 403	7 407 663	(1 647 261)	Caravan Parks and Chalets	7 983 695	7 386 950	596 745
273 738	659 844	(386 106)	Cemeteries	307 608	572 593	(264 985)
44 975 221	35 263 817	9 711 405	Cleansing	47 821 381	39 988 265	7 833 116
32 461 885	29 662 397	2 799 488	Integrated Human Settlements	42 409 739	25 398 727	17 011 013
9 830 266	28 800 314	(18 970 048)	Public Safety and Rescue Services	12 279 674	30 973 209	(18 693 536)
1 895 281	43 072 481	(41 177 200)	Parks and Recreation	3 572 446	26 818 457	(23 246 011)
698 941 287	1115 965 233	(417 023 946)	Sub Total	715 747 113	644 998 565	70 748 548
	853 597	(853 597)	Less inter-dep charges		2 206 382	(2 206 382)
698 941 287	1115 111 636	(416 170 349)	Total	715 747 113	642 792 183	72 954 930

Appendix C : Segmental analysis of Statement of Financial Performance (GFS classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013						
GFS CLASSIFICATION						
2012	2012	2012	SEGMENT	2013	2013	2013
Actual income	Actual expenditure	Surplus/ (deficit)		Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
649 793	11 271 133	(10 621 340)	Community & Social Services	8 722 374	11 792 249	(3 069 875)
278 248 969	195 152 452	83 096 517	Electricity	284 351 030	207 829 589	76 521 441
63 513 467	546 391 592	(482 878 125)	Executive & Council	33 978 549	46 567 517	(12 588 968)
78 817 266	56 924 228	21 893 038	Finance & Admin	85 842 784	60 906 807	24 935 976
32 461 885	29 662 397	2 799 488	Housing	42 409 739	25 393 727	17 016 013
-	1 312	(1 312)	Other	-	905	(905)
9 022 329	20 740 298	(11 717 969)	Planning and Development	12 386 705	19 670 317	(7 283 613)
9 830 266	28 800 314	(18 970 048)	Public Safety	12 279 674	30 973 209	(18 693 536)
16 590 415	24 283 763	(7 693 348)	Road Transport	13 113 244	27 897 238	(14 783 994)
7 655 684	50 480 145	(42 824 461)	Sport and Recreation	11 556 141	34 205 406	(22 649 266)
44 975 221	35 263 817	9 711 405	Waste Management	47 821 381	39 988 265	7 833 116
61 524 570	44 778 038	16 746 532	Waste Water Management	59 216 003	46 888 286	12 327 717
95 651 422	72 215 744	23 435 678	Water	104 069 489	92 885 049	11 184 440
698 941 287	1115 965 233	(417 023 946)	Sub Total	715 747 113	644 998 565	70 748 548
	853 597	(853 597)	Less inter-dep charges		2 206 382	(2 206 382)
698 941 287	1115 111 636	(416 170 349)	Total	715 747 113	642 792 183	72 954 930

Appendix D : Disclosure of Grants and Subsidies (According to Section 123 of MFMA)

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2013												
Name of VOTE	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld	Total
			Sept	Dec	March	June	Sept	Dec	March	June	June	
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per vote)												
MUNICIPAL MANAGER		95,534	17,868,200	13,614,450	11,659,000	912,193	7,978,054	8,670,667	8,430,518	17,926,063	-	1,144,075
CORPORATE SERVICES		2,507,336	2,972,087	1,794,867	26,064	1,582,165	2,183,002	2,098,875	1,674,718	3,101,253	192,804	17,475
FINANCIAL SERVICES		144,145	1,250,000	-	-	150,000	448,938	175,699	132,109	559,819	-	227,581
TECHNICAL SERVICES		1,769,657	4,482,335	15,700,165	738,000	903,061	-	13,067,757	4,443,695	5,997,868	-	83,898
COMMUNITY SERVICES		1,830,034	8,352,307	1,146,460	341,788	2,011,909	985,878	2,418,439	6,506,542	3,684,373	-	87,265
ELECTRICITY SERVICES		-	1,000,000	-	-	-	647,399	258,653	53,882	40,065	-	(0)
DEVELOPMENT PLANNING & HOUSING		12,319,620	1,478,940	16,433,942	3,539,061	9,169,428	3,526,661	13,748,000	4,998,063	14,602,589	-	6,065,677
TOTAL PUBLIC CONTR. & DONATED PPE		18,666,327	37,403,869	48,689,884	16,303,913	14,728,756	15,769,932	40,438,091	26,239,527	45,912,031	192,804	7,625,972

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2013

Appendix D : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2013												
Name of GRANT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld	Total
			Sept	Dec	March	June	Sept	Dec	March	June	June	
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per grant)												
EQUITABLE SHARE	NATIONAL	-	17,706,000	13,162,000	11,627,000	-	7,966,223	8,274,210	8,360,418	17,894,149	-	-
FINANCE MANAGEMENT GRANT	NATIONAL	93,028	1,250,000	-	-	-	398,195	175,324	132,109	553,157	-	84,243
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	NATIONAL	60,668	800,000	-	-	-	22,111	43,616	76,080	701,387	-	17,475
MUNICIPAL INFRASTRUCTURE GRANT	NATIONAL	65,709	8,100,500	7,155,499	-	1,900,000	33,557	3,457,361	5,306,051	8,418,396	-	6,342
PROVINCIAL TRANSPORT INFRASTRUCTURE GRANT	Department of Transport											
INTEGRATED HOUSING AND HUMAN SETTLEMENT & DEVELOPMENT GRANT	Department of Human Settlements	12,319,620	1,478,940	16,433,942	3,539,061	9,169,428	3,526,661	13,748,000	4,998,063	14,602,589	-	6,065,677
FINANCE MANAGEMENT SUPPORT GRANT	PAWC	50,583	-	-	-	-	50,208	375	-	-	-	0
SUBSIDY - MAIN ROADS	PAWC	-	-	-	-	47,300	-	-	47,300	-	-	-
EXTENDED PUBLIC WORKS PROGRAMME	PAWC	970,699	-	1,723,000	738,000	-	-	1,812,807	1,175,662	443,230	-	(0)
LIBRARY SERVICES	PAWC - Culture Affairs & Sport	195,608	6,397,100	271,460	271,788	2,011,909	257,363	1,681,751	4,871,814	2,281,394	-	55,544
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	Department of Mineral & Energy											
MULTI-PURPOSE CENTRE	Department of Social Development	2,623,971	-	-	-	-	1,855,285	768,686	-	-	-	(0)
NEIGHBOURHOOD DEVELOPMENT GRANT	NDPG	359,428	-	-	-	-	-	-	267,729	91,700	-	(0)
PROVINCIAL MANAGEMENT SUPPORT GRANT	PAWC	534	-	-	-	150,000	534	-	-	6,662	-	143,338
COMMUNITY DEVELOPMENT WORKERS	Department of Social Services	11,848	-	108,000	-	-	43,704	25,730	29,406	21,009	-	0
LGWSETA SKILLS DEVELOPMENT	LGWSETA	(189,151)	172,087	143,007	26,064	503,471	261,903	70,562	393,493	122,324	192,804	-
ELECTRIFICATION PROJECTS	NER	-	1,000,000	-	-	-	647,399	258,653	53,882	40,065	-	(0)
CLEANEST MUNICIPALITY COMPETITION	PAWC	-	-	-	70,000	-	-	-	-	70,000	-	-
PUBLIC CONTRIBUTIONS AND OTHER SUBSIDIES		2,103,782	499,242	9,692,976	32,000	946,648	706,789	10,121,017	527,520	665,969	-	1,253,353
TOTAL GRANTS		18,666,327	37,403,869	48,689,884	16,303,913	14,728,756	15,769,932	40,438,091	26,239,527	45,912,031	192,804	7,625,972